

11-27

**OFFICIAL  
FILE COPY**  
**DO NOT SEND OUT**  
(Xerox necessary  
copies from this  
copy and PLACE  
BACK in FILE)

99300056  
5896  
21

# PHILMAT, INC.

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

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 ~~DEC 7 6 1998~~

# PHILMAT, INC.

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	12
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	16
STATUS OF PRIOR YEAR AUDIT FINDINGS	17

# Deloitte & Touche



**Deloitte & Touche LLP**

Suite 3700  
One Shell Square  
701 Poydras Street  
New Orleans, Louisiana 70139-3700

Telephone: (504) 581-2727  
Facsimile: (504) 561-7293

## INDEPENDENT AUDITORS' REPORT

Most Reverend Francis B. Schulte, D.D., President  
PHILMAT, Inc.  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of PHILMAT, Inc. ("PHILMAT") as of June 30, 1998, and the related statements of activities and cash flows for the year then ended. We previously audited and reported upon the financial statements of PHILMAT for the year ended June 30, 1997, which condensed statements are presented for comparative purposes only. These financial statements are the responsibility of the management of PHILMAT. 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PHILMAT 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 7, 1998 on our consideration of PHILMAT's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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.

*Deloitte & Touche LLP*

August 7, 1998

# PHILMAT, INC.

## STATEMENT OF FINANCIAL POSITION

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

ASSETS	1998	1997
Cash	\$ 107,969	\$ 40,305
Money market accounts:		
General account	647,433	713,762
Archbishop's community appeal	25,655	24,516
Total cash and cash equivalents	<u>781,057</u>	<u>778,583</u>
Grants receivable	703,425	694,350
Contributions receivable, net of allowance of \$6,717 and \$9,048	132,554	55,579
Prepaid expenses	5,286	-
Investments	4,769,280	4,352,264
Property - net	1,914,366	1,812,408
Due from affiliates	16,039	-
<b>TOTAL ASSETS</b>	<b><u>\$8,322,007</u></b>	<b><u>\$7,693,184</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities:</i>		
Funds held for affiliates	\$ 258,849	\$ 174,746
Other liabilities	76,125	104,133
Total liabilities	<u>334,974</u>	<u>278,879</u>
<i>Net Assets:</i>		
Unrestricted	7,850,479	7,358,726
Temporarily restricted	136,554	55,579
Total net assets	<u>7,987,033</u>	<u>7,414,305</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$8,322,007</u></b>	<b><u>\$7,693,184</u></b>

See notes to financial statements.

# PHILMAT, INC.

## STATEMENT OF ACTIVITIES

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

	Unrestricted	Temporarily Restricted	Total	
			1998	1997
<b>REVENUE:</b>				
Grant Revenue:				
Commodity supplemental food and warehouse program	\$3,238,510	\$ -	\$3,238,510	\$3,733,661
Headstart program	830,460		830,460	668,717
Other programs	620,092		620,092	262,776
	4,689,062	-	4,689,062	4,665,154
Contributions	1,274,969	80,975	1,355,944	1,239,053
Investment income	507,636		507,636	369,143
Net unrealized gain on investments	134,089		134,089	266,676
Rent	40,778		40,778	40,851
Other	109,173		109,173	67,211
Total revenue	<u>6,755,707</u>	<u>80,975</u>	<u>6,836,682</u>	<u>6,648,088</u>
<b>EXPENSES:</b>				
Program services	6,064,543		6,064,543	6,256,359
Fund raising	112,416		112,416	107,530
Depreciation expense	86,995		86,995	65,564
Total expenses	<u>6,263,954</u>	<u>-</u>	<u>6,263,954</u>	<u>6,429,453</u>
CHANGE IN NET ASSETS	491,753	80,975	572,728	218,635
BEGINNING NET ASSETS	<u>7,358,726</u>	<u>55,579</u>	<u>7,414,305</u>	<u>7,195,670</u>
ENDING NET ASSETS	<u>\$7,850,479</u>	<u>\$136,554</u>	<u>\$7,987,033</u>	<u>\$7,414,305</u>

See notes to financial statements.

# PHILMAT, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 1998, WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 572,728	\$ 218,635
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	86,995	65,564
Loss on sale of property	-	68,771
Net unrealized gain on investments	(134,089)	(266,676)
Changes in operating assets and liabilities:		
Grants receivable	(9,075)	164,452
Contributions receivable	(76,975)	(5,287)
Prepaid expenses	(5,286)	-
Due from affiliates	(16,039)	-
Funds held for affiliates	84,103	(42,591)
Other liabilities	(28,008)	1,704
Net cash provided by operating activities	<u>474,354</u>	<u>204,572</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increase in investments	(282,927)	(63,856)
Acquisition of property and equipment	(188,953)	(100,245)
Proceeds from the sale of property	-	124,386
Net cash used in investing activities	<u>(471,880)</u>	<u>(39,715)</u>
<b>INCREASE IN CASH EQUIVALENTS</b>	2,474	164,857
<b>BALANCE AT BEGINNING OF YEAR</b>	<u>778,583</u>	<u>613,726</u>
<b>BALANCE AT END OF YEAR</b>	<u>\$ 781,057</u>	<u>\$ 778,583</u>

See notes to financial statements.

# PHILMAT, INC.

## NOTES TO FINANCIAL STATEMENTS

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

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization* - PHILMAT, Inc. ("PHILMAT") is the corporate title for the Office of the Social Apostolate, an organization operated and controlled by the Roman Catholic Church of the Archdiocese of New Orleans ("Archdiocese") and organized to provide non-sectarian community services to individuals residing within New Orleans, Baton Rouge, Lafayette and Houma. A significant portion of the revenues of PHILMAT are contributions received in response to an annual appeal, and are restricted in use for the purpose set forth above.

The commodity supplemental food and warehouse program, Food for Families, distributes food provided by the United States Department of Agriculture to eligible women, infants, children and senior citizens, who are classified as low income families and vulnerable to malnutrition. This service is provided under a contract between PHILMAT and the Louisiana Department of Health and Hospitals (LDHH), with PHILMAT acting as the local agent.

The Department of Health and Human Services provides funds to PHILMAT for the Head Start Program, which provides a full range of services to 221 children in three sites and appropriate support services to participants' families. The services provided include educational, social services, parent involvement, medical, dental, nutrition, and mental health.

*Basis of Presentation* - The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with the principles of not-for-profit accounting.

PHILMAT classifies resources into three separate classes of net assets, as follows:

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

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

Permanent restriction—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.

*Cash Equivalents* - Cash equivalents include all cash and temporary investments which are both readily convertible to known amounts of cash and so near maturity that there is insignificant risk of changes in value.

**Investments** - Investments are carried at market value in the financial statements. Unrealized gains or losses on investments are reflected in the Statement of Activities.

**Property** - Property is carried at purchased cost or appraised values when acquired by donation or gift. 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 in determining depreciation follow:

Building and improvements	40 years
Equipment and furnishings	5 years
Vehicles	5 years

**Income Taxes** - No provision has been made for income taxes as PHILMAT is incorporated as a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Reclassifications** - Certain reclassifications have been made to the 1997 financial statements in order to conform to the classifications adopted for reporting in 1998.

## 2. CONTRIBUTIONS RECEIVABLE

Unconditional promises are included in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Unconditional promises are expected to be realized in the following periods:

In one year or less	\$ 139,271
Less allowance	<u>(6,717)</u>
Total	<u>\$ 132,554</u>

Contributions receivable are restricted for the following purposes at June 30, 1998:

Future time periods	<u>\$ 132,554</u>
---------------------	-------------------

## 3. INVESTMENTS

Investments at June 30, 1998 consist of mutual funds with a market value and cost of \$4,769,280 and \$3,999,924, respectively. At June 30, 1997, the mutual funds had a market value and cost of \$4,352,264 and \$3,722,857, respectively.

#### 4. PROPERTY

Property at June 30, 1998 and 1997 is summarized as follows:

	1998	1997
Land	\$ 256,540	\$ 256,540
Buildings and improvements	1,814,920	1,762,870
Equipment and furnishings	191,934	139,797
Vehicles	108,329	23,563
	<u>2,371,723</u>	<u>2,182,770</u>
Accumulated depreciation	<u>457,357</u>	<u>370,362</u>
Property - net	<u>\$1,914,366</u>	<u>\$1,812,408</u>

#### 5. PENSION PLAN

Substantially all employees are covered by a defined contribution plan, administered by the Archdiocese of New Orleans. Contributions to the plan on behalf of the employees for the years ended June 30, 1998 and 1997 approximated \$14,500 and \$12,000, respectively.

#### 6. RELATED PARTY TRANSACTIONS

The Archbishop of New Orleans serves as president of the Roman Catholic Church of the Archdiocese of New Orleans, a Louisiana corporation. He also serves as president of PHILMAT and all other corporations, boards of trustees and separate activities 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 these separate corporations and activities specific assistance in the form of operating subsidies, loans, use of facilities and/or administrative support.

In the normal course of operations, PHILMAT, Inc. has made, when necessary, non-interest bearing advances to Seniors with Power United for Rights ("SPUR") and has also provided administrative support. At June 30, 1998, amounts owed to PHILMAT, Inc. totaled \$16,039. At June 30, 1997, there were no amounts owed to PHILMAT, Inc.

#### 7. COMMITMENTS

Food for Families receives a substantial amount of its support pursuant from a contract with Louisiana Department of Health and Hospitals (LDHH). A significant reduction in the level of this support, if this were to occur, may have a material effect on the program. Food for Families is required to submit reports to substantiate the support received. These reports are subject to audit and/or approval by LDHH.

## 8. FUNCTIONAL EXPENSES

Expenses incurred were for:

	Program Services	Allocated Management and General	Total	
			1998	1997
Program Services:				
Subsidies to Centers:				
Incarinate Word Center	\$ 135,341	\$ 8,516	\$ 143,857	\$ 124,496
St. John the Baptist Community Center	180,121	11,333	191,454	179,001
St. Louis Community Center	102,928	6,476	109,404	106,930
St. Philip Social Apostolate	106,254	6,686	112,940	119,018
St. Monica Social Apostolate	-	-	-	6,242
St. Mary of the Angels Social Apostolate	110,723	6,967	117,690	106,812
Our Lady of Lourdes Senior Center	136,034	8,559	144,593	138,192
Commodity Supplemental Food and Warehouse	3,168,590	199,369	3,367,959	4,042,353
Head Start	830,460	52,253	882,713	712,552
Warehouse Food Programs	54,962	3,458	58,420	45,733
Second Harvesters Food Bank	25,000	1,573	26,573	26,639
Summer Witness	169,313	10,653	179,966	169,767
Neighborhood Housing Program for the Elderly	-	-	-	2,466
SPUR	-	-	-	11,202
CDBG Summer Witness Program	103,561	6,516	110,077	80,031
CDBG Adult Literacy Program	29,020	1,826	30,846	6,898
CDBG Senior Enrichment	47,306	2,977	50,283	23,819
Emergency Food and Shelter Campaign for Human Development	34,421	2,166	36,587	34,563
Education Program	15,940	1,003	16,943	11,128
Daughters of Charity Neighborhood Health Participation	11,870	747	12,617	135,037
Child and Adult Care Food Program	137,052	8,623	145,675	124,009
Project Independence	86	5	91	30,901
Unity	177,482	11,167	188,649	6,908
TANF	65,671	4,132	69,803	-
Office of Urban Affairs	9,718	611	10,329	-
DOE Workplace Education	41,682	2,623	44,305	-
<b>TOTAL PROGRAM SERVICES</b>	<b>\$5,705,548</b>	<b>\$ 358,995</b>	<b>\$6,064,543</b>	<b>\$6,256,359</b>

	<u>Management and General</u>		<u>Fund Raising</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Salaries	\$ 215,148	\$ 174,702	\$ 23,178	\$ 18,000
Payroll taxes	17,147	13,231	1,773	1,320
Staff training and development	23,418	18,040	1,878	2,349
Building maintenance	22,896	28,032	-	-
Supplies	7,950	11,006	7,318	7,821
Fringe benefits	22,191	18,232	3,162	2,865
Communications	8,628	3,030	48,727	35,147
Transportation	1,776	2,038	-	-
Professional services	15,665	12,138	452	543
Other	1,583	10,500	-	15,044
Special projects	3,023	3,387	-	-
Functions	-	-	22,497	16,346
Computer expense	6,879	3,023	1,380	7,136
Copier expense	(385)	735	2,051	959
Insurance	3,950	6,580	-	-
Personnel recruitment	2,811	2,761	-	-
Staff Development Corp.	3,627	4,762	-	-
Loss on sale of property	-	68,771	-	-
Collaborative planning process	2,688	3,911	-	-
	<u>358,995</u>	<u>384,879</u>	<u>112,416</u>	<u>107,530</u>
Allocation to program services and fund raising	<u>(358,995)</u>	<u>(384,879)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,416</u>	<u>\$ 107,530</u>

\*\*\*\*\*

# PHILMAT, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 1998

---

	Federal CFDA#	Identifiable Federal Expenditures
U.S. Department of Agriculture passed through the State of Louisiana Department of Health and Hospitals - Commodity Supplemental Food and Warehouse Program	10.565	\$3,168,590
U.S. Department of Health and Human Services passed through Total Community Action - Head Start Program	93.600	830,460
Passed through local agencies: Department of Agriculture - Child and Adult Care Food Program	10.558	137,052
Passed through local agencies: Department of Education - Adult/Youth Education Program	84.002	41,682
Federal Emergency Management Agency - Emergency Food and Shelter National Board Program	83.523	12,013
U.S. Department of Housing and Urban Development passed through the City of New Orleans - Community Development Block Grants:		
- Summer Witness Program	14.219	103,561
- Adult Literacy Program	14.218	29,020
- Senior Enrichment Program	14.218	47,306
State of Louisiana, Department of Social Services, Office of Family Support: - Family Independence Work Program (TANF)	93.558	65,671
Unity: - Supportive Housing	14.235	<u>177,482</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><b>\$4,612,837</b></u>

See notes to schedule of expenditures of federal awards.

# PHILMAT, INC.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 1998

---

### 1. DESCRIPTION OF GRANTS

United States Department of Agriculture  
Commodity Supplemental Food and Warehouse Program

The commodity supplemental food and warehouse program, Food for Families, distributes food provided by the United States Department of Agriculture to women, infants, children and senior citizens who are certified eligible participants according to Federal Guidelines as low income families and vulnerable to malnutrition.

United States Department of Health and Human Services  
Head Start Program

The Department of Health and Human Services provides funds to PHILMAT for the Head Start Program, which provides a full range of services to 221 children in three sites and appropriate support services to participants families. The services provided include educational, social services, parent involvement, medical, dental, nutrition, and mental health.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation* - The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenues are recorded, for financial reporting purposes, when PHILMAT has met the cost reimbursement or funding qualifications for the respective grants.

*Accrued Reimbursement* - Various reimbursement procedures are used for federal awards received by PHILMAT. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year. Grant receivable balances included in the accompanying financial statements represent an excess of expenditures over cash reimbursements received to date.



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

Most Reverend Francis B. Schulte, D.D., President  
PHILMAT, Inc.  
New Orleans, Louisiana

We have audited the financial statements of PHILMAT, Inc. (PHILMAT), as of and for the year ended June 30, 1998, and have issued our report thereon dated August 7, 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 PHILMAT'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 PHILMAT'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 management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

August 7, 1998



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

Most Reverend Francis B. Schulte, D.D., President  
PHILMAT, Inc.  
New Orleans, Louisiana

### Compliance

We have audited the compliance of PHILMAT, Inc. (PHILMAT), 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. PHILMAT'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 PHILMAT's management. Our responsibility is to express an opinion on PHILMAT'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 PHILMAT'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 PHILMAT's compliance with those requirements.

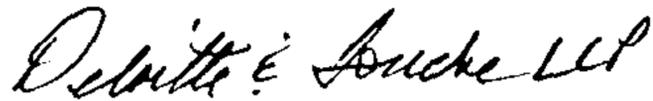
In our opinion, PHILMAT complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

### Internal Control Over Compliance

The management of PHILMAT 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 PHILMAT's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



August 7, 1998

# PHILMAT, INC.

## 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 no findings which are required to be reported under Section 510(a) of Circular A-133.*
- Major programs for the fiscal year ended June 30, 1998 were:
  1. U.S. Department of Agriculture passed through the State of Louisiana Department of Health and Hospitals Commodity Supplemental Food and Warehouse Program (CFDA #10.565)
  2. U.S. Department of Health and Human Services passed through Total Community Action Head Start Program (CFDA #93.600)
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- 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 FEDERAL AWARDS

There were no items identified in the course of our testing during the current year required to be reported.

### STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no findings related to the financial statements for the year ended June 30, 1997.

**PHILMAT, INC.**

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

---

There were no items identified in the course of our testing during the prior year required to be reported.

# Deloitte & Touche



**Deloitte & Touche LLP**  
Suite 3700  
One Shell Square  
701 Poydras Street  
New Orleans, Louisiana 70139-3700

Telephone: (504) 581-2727  
Facsimile: (504) 561-7293

August 7, 1998

Reverend Francis B. Schulte, D.D., President  
PHILMAT, Inc.  
New Orleans, Louisiana

The approach of the year 2000 presents significant issues for many financial, information, and operational systems. Many systems in use today may not be able to appropriately interpret dates after December 31, 1999, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000, from January 1, 1900, which could have *adverse consequences on the operations of the entity and the integrity of information processing, causing safety, operational, and financial issues.*

Our audit of PHILMAT, Inc.'s ("PHILMAT") financial statements for the year ended June 30, 1998, does not provide any assurances, nor do we express any opinion, that PHILMAT's systems or any other systems, such as those of PHILMAT's vendors, service providers, customers, or other third parties, are year 2000 compliant. In addition, we were not engaged to perform, nor did we perform as part of our audit engagement, any procedures to test whether PHILMAT's systems or any other systems are year 2000 compliant or whether the plans and activities of PHILMAT or any third parties are sufficient to address and correct system or any other problems that might arise because of the year 2000, nor do we express any opinion or provide any other assurances with respect to these matters.

However, during the course of the audit, we made limited inquiries about PHILMAT's activities to address the year 2000 issue. We have not performed any procedures to test the accuracy or completeness of the responses to our inquiries, but we have included our observations resulting from those inquiries in the following paragraphs. Our observations are appropriate as of the date of this letter. *Because year 2000 activities are currently in process, we may have had additional observations had we made inquiries after the date of this letter.* Accordingly, we encourage management and Board to continue its oversight of PHILMAT's year 2000 activities.

As Director of Finance, Annette LeBlanc has responsibility for PHILMAT's response to all Year 2000 issues. Annette LeBlanc reports to Sr. Adele Lambert, Executive Director, the status of all Year 2000 compliance activities on a periodic basis.

For the past two years, PHILMAT has been addressing Year 2000 compliance issues. PHILMAT has been working with a computer consultant to assist with these issues and has contracted with D & R Technologies to provide a design document for the software used by the Food For Families Program. PHILMAT believes that most of its other major electronic systems have already been updated or replaced with applications, in the normal course of business, that are year 2000 compliant. In order to confirm the status of compliance, an inventory and evaluation of all systems, programs, and/or

applications is currently being performed. An assessment of the additional resources needed, if any, to accomplish Year 2000 procedures will be made. PHILMAT expects completion of the Year 2000 project in early 1999.

This report is intended solely for the information and use of management, the Board of Directors, and others within the organization.

Yours truly,

*Deloitte & Touche LLP*