

PHILMAT, INC.
June 30, 1999

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PHILMAT, INC.

**Financial Statements for the Year Ended
June 30, 1999 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 1-19-2000

PHILMAT, INC.

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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, 1999, 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, 1998, 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, 1999, 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 September 30, 1999 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.

September 30, 1999

PHILMAT, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 1999, WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

ASSETS	1999	1998
Cash	\$ 38,198	\$ 107,969
Money market accounts:		
General account	440,614	647,433
Archbishop's community appeal	26,789	25,655
Total cash and cash equivalents	<u>505,601</u>	<u>781,057</u>
Grants receivable	978,084	703,425
Contributions receivable, net of allowance of \$6,921 and \$6,717	257,519	132,554
Prepaid expenses	-	5,286
Investments	5,082,747	4,769,280
Property - net	1,846,555	1,914,366
Due from affiliates	40,000	16,039
TOTAL ASSETS	<u>\$ 8,710,506</u>	<u>\$ 8,322,007</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Funds held for affiliates	\$ 268,699	\$ 258,849
Other liabilities	77,251	76,125
Total liabilities	<u>345,950</u>	<u>334,974</u>
Net Assets:		
Unrestricted	7,840,121	7,850,479
Temporarily restricted	524,435	136,554
Total net assets	<u>8,364,556</u>	<u>7,987,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,710,506</u>	<u>\$ 8,322,007</u>

See notes to financial statements.

PHILMAT, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 1999, WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

	Unrestricted	Temporarily Restricted	Total	
			1999	1998
REVENUE:				
Grant Revenue:				
Commodity supplemental food and warehouse program	\$ 3,672,425	\$ -	\$ 3,672,425	\$ 3,238,510
Head Start program	794,290		794,290	830,460
Other programs	760,618	160,543	921,161	620,092
	5,227,333	160,543	5,387,876	4,689,062
Contributions	1,100,802	359,892	1,460,694	1,355,944
Investment income	290,723		290,723	507,636
Net unrealized gain on investments	85,642		85,642	134,089
Rent	40,816		40,816	40,778
Other	92,789		92,789	109,173
Net assets released from restrictions	132,554	(132,554)	-	-
Total revenue	6,970,659	387,881	7,358,540	6,836,682
EXPENSES:				
Program services	6,729,062		6,729,062	6,064,543
Fund raising	149,731		149,731	112,416
Depreciation expense	102,224		102,224	86,995
Total expenses	6,981,017	-	6,981,017	6,263,954
CHANGE IN NET ASSETS	(10,358)	387,881	377,523	572,728
BEGINNING NET ASSETS	7,850,479	136,554	7,987,033	7,414,305
ENDING NET ASSETS	\$ 7,840,121	\$ 524,435	\$ 8,364,556	\$ 7,987,033

See notes to financial statements.

PHILMAT, INC.

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 1999, WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 377,523	\$ 572,728
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</i>		
Depreciation expense	102,224	86,995
Net unrealized gain on investments	(85,642)	(134,089)
Changes in operating assets and liabilities:		
Grants receivable	(274,659)	(9,075)
Contributions receivable	(124,965)	(76,975)
Prepaid expenses	5,286	(5,286)
Due from affiliates	(23,961)	(16,039)
Funds held for affiliates	9,850	84,103
Other liabilities	1,126	(28,008)
Net cash (used in) provided by operating activities	<u>(13,218)</u>	<u>474,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in investments	(227,825)	(282,927)
Acquisition of property and equipment	<u>(34,413)</u>	<u>(188,953)</u>
Net cash used in investing activities	<u>(262,238)</u>	<u>(471,880)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(275,456)	2,474
BALANCE AT BEGINNING OF YEAR	<u>781,057</u>	<u>778,583</u>
BALANCE AT END OF YEAR	<u>\$ 505,601</u>	<u>\$ 781,057</u>

See notes to financial statements.

PHILMAT, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 1999, WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

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 1998 financial statements in order to conform to the classifications adopted for reporting in 1999.

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	\$ 264,440
Less allowance	<u>6,921</u>
Total	<u>\$ 257,519</u>

Contributions receivable are restricted for the following purposes at June 30, 1999:

Future time periods	\$ 197,519
Renovation	<u>60,000</u>
	<u>\$ 257,519</u>

3. INVESTMENTS

Investments at June 30, 1999 consist of mutual funds with a market value and cost of \$5,082,747 and \$4,227,750, respectively. At June 30, 1998 the mutual funds had a market value and cost of \$4,769,280 and \$3,999,924, respectively.

4. PROPERTY

Property at June 30, 1999 and 1998 is summarized as follows:

	1999	1998
Land	\$ 256,540	\$ 256,540
Buildings and improvements	1,838,923	1,814,920
Equipment and furnishings	202,345	191,934
Vehicles	108,328	108,329
	<u>2,406,136</u>	<u>2,371,723</u>
Accumulated depreciation	<u>(559,581)</u>	<u>(457,357)</u>
Property - net	<u>\$ 1,846,555</u>	<u>\$ 1,914,366</u>

5. PENSION PLAN

Substantially all employees are covered by a defined contribution plan, administered by the Archdiocese of New Orleans. Contribution expense to the plan on behalf of the employees for the years ended June 30, 1999 and 1998 approximated \$74,100 and \$72,900, 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 subsidiaries, 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. In 1999, the advance to SPUR was forgiven and recorded as a write-off.

In 1999, PHILMAT, Inc. made a short-term advance to Second Harvesters Food Bank in the amount of \$40,000 bearing annual interest at 5%.

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 the following:

	Program Services	Allocated Management and General	Total	
			1999	1998
Program Services:				
Subsidies to Centers:				
Incarinate Word Center	\$ 57,146	\$ 4,251	\$ 61,397	\$ 143,857
St. John the Baptist Community Center	234,784	17,467	252,251	191,454
St. Louis Community Center	107,450	7,994	115,444	109,404
St. Philip Social Apostolate	98,997	7,365	106,362	112,940
St. Mary of the Angels Social Apostolate	127,380	9,476	136,856	117,690
Our Lady of Lourdes Senior Center	158,968	11,826	170,794	144,593
Commodity Supplemental Food and Warehouse	3,663,787	272,565	3,936,352	3,367,959
Head Start	792,944	58,991	851,935	882,713
Warehouse Food Programs	27,102	2,016	29,118	58,420
Second Harvesters Food Bank	-	-	-	26,573
Summer Witness	223,443	16,623	240,066	179,966
Total Organization Planning System	5,746	427	6,173	-
CDBG Summer Witness Program	83,332	6,199	89,531	110,077
CDBG Adult Literacy Program	25,654	1,909	27,563	30,846
CDBG Senior Enrichment	39,730	2,956	42,686	50,283
Emergency Food and Shelter Campaign for Human Development	8,228	612	8,840	12,769
Education Program	36,248	2,697	38,945	36,587
Daughters of Charity Neighborhood Health Participation	4,941	368	5,309	16,943
Child and Adult Care Food Program	58,125	4,324	62,449	12,617
Project Independence	137,436	10,224	147,660	145,675
Unity	-	-	-	91
TANF	223,868	16,655	240,523	188,649
Office of Urban Affairs	127,698	9,500	137,198	69,803
DOE Workplace Education	-	-	-	10,329
	20,114	1,496	21,610	44,305
TOTAL PROGRAM SERVICES	\$6,263,121	\$ 465,941	\$6,729,062	\$6,064,543

	<u>Management and General</u>		<u>Fund Raising</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Salaries	\$ 254,717	\$ 215,148	\$ 23,509	\$ 23,178
Payroll taxes	19,470	17,147	1,894	1,773
Staff training and development	8,228	23,418	1,745	1,878
Building maintenance	28,000	22,896	-	-
Supplies	7,645	7,950	6,495	7,318
Fringe benefits	23,129	22,191	3,344	3,162
Communications	3,675	8,628	39,232	48,727
Transportation	1,263	1,776	-	-
Professional services	19,281	15,665	135	452
Other	14,227	1,583	40,308	-
Special projects	12,413	3,023	-	-
Functions	-	-	23,276	22,497
Computer expense	1,974	6,879	8,081	1,380
Copier expense	1,686	(385)	1,712	2,051
Insurance	-	3,950	-	-
Personnel recruitment	-	2,811	-	-
Staff Development Corp.	-	3,627	-	-
Investment fees	28,873	-	-	-
Write-offs	41,360	-	-	-
Collaborative planning process	-	2,688	-	-
	<u>465,941</u>	<u>358,995</u>	<u>149,731</u>	<u>112,416</u>
Allocation to program services and fund raising	<u>(465,941)</u>	<u>(358,995)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,731</u>	<u>\$ 112,416</u>

* * * * *

PHILMAT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 1999

	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	\$3,663,787
U.S. Department of Health and Human Services passed through Total Community Action - Head Start Program	93.600	792,944
Passed through local agencies: Department of Agriculture - Child and Adult Care Food Program	10.558	137,436
Passed through local agencies: Department of Education - Adult/Youth Education Program	84.002	20,114
Federal Emergency Management Agency - Emergency Food and Shelter National Board Program	83.523	8,228
U.S. Department of Housing and Urban Development passed through the City of New Orleans - Community Development Block Grants:		
- Summer Witness Program	14.219	83,332
- Adult Literacy Program	14.218	25,654
- Senior Enrichment Program	14.218	39,730
State of Louisiana, Department of Social Services, Office of Family Support: - Family Independence Work Program (TANF)	93.558	127,698
Unity: - Supportive Housing	14.235	<u>223,868</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$5,122,791</u>

See notes to schedule of expenditures of federal awards.

PHILMAT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 1999

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 UPON THE AUDIT 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, 1999, and have issued our report thereon dated September 30, 1999. 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 solely for the information and use of management 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.

Deloitte & Touche LLP

September 30, 1999



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

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, 1999. 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, 1999.

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 solely for the information and use of management 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.

DeBrette & Touche LLP

September 30, 1999

PHILMAT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 1999

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, 1999 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 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, 1999.

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, 1998.

PHILMAT, INC.

STATUS OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 1999

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