

We also performed procedures on the internal control structure and its operation used to administer Federal animal programs which we reported to management of FPHLMAT in a report dated August 9, 1996.

This report is intended for the information of management and others within the organization, and the U.S. Department of Agriculture. However, this report is a matter of public record and its distribution is not limited.

*Debbie J. Sanchez LL.P.*

August 9, 1996

**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.

IFM# No. 124 requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses included in the statement of activities.

**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 these 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 recorded at cost, if purchased, or, if acquired by gift, at market value on the date of receipt. Provision is made for losses expected to be realized on investments during the period in which the decline in value appears to be permanent.

**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

**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.

**Fair Value of Financial Instruments** - The carrying value of PHILMAT's financial instruments including cash, money market accounts, grants receivable, and funds held for affiliates is a reasonable estimate of their fair value. The fair value of PHILMAT's investments is \$4,022,808.

**Reclassifications** - Certain reclassifications have been made to prior year balances in order to conform with current year classifications.

## 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	\$51,388
Long term	<u>3,971,420</u>
Total	<u>\$4,022,808</u>

Contributions receivable are restricted for the following purposes at June 30, 1995:

Future time periods \$ 50,292

### 3. INVESTMENTS

At July 1, 1993, PHILMAT adopted the provisions of SFAS 124 "Accounting for Certain Investments Held by Not-For-Profit Organizations" which requires that certain equity and all debt securities be reported at fair value. The effect of this change was to increase fund balances by \$189,413 at July 1, 1993.

Investments at June 30, 1995 consist of mutual funds with a market value and cost of \$4,822,800 and \$3,640,000, respectively. At June 30, 1993, the mutual funds had a market value and cost of \$4,387,800 and \$4,877,080, respectively.

### 4. PROPERTY

Property at June 30, 1995 and 1993 is summarized as follows:

	1995	1993
Land	\$ 283,610	\$ 398,800
Buildings and improvements	1,993,804	2,021,425
Equipment and furnishings	89,816	62,943
	<u>2,367,230</u>	<u>2,483,168</u>
Accumulated depreciation	<u>488,472</u>	<u>350,818</u>
Property - net	<u>\$1,878,758</u>	<u>\$2,132,350</u>

### 5. PENSION PLAN

Substantially all employees are covered by a defined contribution plan, administered by the Archdiocese. Contributions to the plan on behalf of the employees for the years ended June 30, 1995 and 1993 approximated \$10,808. It is the policy of PHILMAT to fund pension cost accrued.

### 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.

### 7. COMMITMENTS

Food for Families receives a substantial amount of its support pursuant to 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.

**L. FUNCTIONAL EXPENSES**

Expenses incurred were for:

	Program Services	Allocated Management and General	Total	
			1994	1995
<b>Program Services:</b>				
<b>Scholarship to Centers:</b>				
Inmate Work Center	\$ 87,350	\$ 5,678	\$ 103,218	\$ 118,869
St. John the Baptist				
Community Center	134,750	7,842	148,572	141,223
St. Louis Community Center	86,347	5,658	91,985	88,832
St. Philip Social Apostolate	134,018	6,677	129,859	173,395
St. Monica Social Apostolate	62,926	3,663	66,589	68,896
St. Mary of the Angels				
Social Apostolate	97,384	6,669	103,653	82,264
Our Lady of Lourdes				
Senior Center	128,826	7,003	127,859	128,256
Commodity Supplemental Food and Warehouses	3,233,288	184,027	3,527,215	3,651,818
Food Start	285,780	24,680	620,478	758,423
Warehouse Food Programs	31,338	1,828	33,366	2,483
Second Harvest Food Bank	37,040	2,152	39,392	1,360
Senior Witness	118,389	6,984	128,503	173,235
Neighborhood Housing Program				
For the Elderly	34,789	1,983	36,264	58,425
SPUR	39,176	1,686	89,874	26,838
CDHG Adult Literacy Program	31,099	1,324	23,283	80,814
CDHG Senior Enrichment	34,877	2,027	36,994	7,288
Emergency Food and Shelter	11,023	652	11,724	32,327
Campaign for Human				
Development	39,331	2,288	41,999	31,733
Education Program	38,128	1,172	21,298	23,816
Daughters of Charity				
Neighborhood Health				
Participation	175,248	10,281	185,449	136,738
St. Phillips Programs	-	-	-	23,923
Child and Adult Care Food				
Program	98,327	5,278	104,839	-
Homeless Prevention - SEBO	32,080	1,382	33,862	-
<b>TOTAL PROGRAM SERVICES</b>	<b>\$3,338,785</b>	<b>\$ 308,640</b>	<b>\$3,608,251</b>	<b>\$4,068,683</b>

**Management and General**

**Fund Raising**

	1996	1995	1996	1995
Salaries	\$ 176,886	\$ 170,352	\$ -	\$ -
Payroll taxes	13,392	12,591		
Staff training and development	3,641	12,355		
Building maintenance	18,918	21,686		
Supplies	7,159	8,494	3,647	3,134
Fringe benefits	18,535	20,094		
Communications	2,585	8,829	33,144	34,766
Transportation	1,945	1,344		
Professional services	12,234	10,128	1,180	1,470
Other	802	1,320		
Special projects	4,808	-		
Functions			12,385	15,718
Company expenses			5,251	3,617
Copy expenses	11,116	95	2,182	1,265
Insurance	6,248	1,250		
Flood expense	30,125	498		
Personnel recruitment	2,154			
Staff Development Corp.	4,897			
Collaborative planning process	6,248			
	<u>312,358</u>	<u>278,684</u>	<u>68,037</u>	<u>51,902</u>
Allocations to program services and fund raising	<u>121,250</u>	<u>1278,685</u>	<u>2,804</u>	<u>2,478</u>
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,841</u>	<u>\$ 54,380</u>

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Touche LLP**



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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

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, 1996, and have issued our report thereon dated August 9, 1996. 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 Government Auditing Standards, issued by the Comptroller General of the United States. These 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.

Our audit was made for the purpose of forming an opinion on the financial statements of PHILMAT taken as a whole. The accompanying Schedule of Federal Financial Assistance for the year ended June 30, 1996, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of PHILMAT's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

This report is intended for the information of management and others within the organization, and the U.S. Department of Agriculture. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

August 9, 1996

**PHILMAT, INC.**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 1988**

	Federal CFDA#	Reimbursable Federal Expenditures	Revenue on Annual Basis
<b>MAJOR PROGRAMS</b>			
U.S. Department of Agriculture passed through the State of Louisiana Department of Health and Hospitals			
- Commodity Supplemental Food and Warehouse Program	10.527	\$3,333,288	\$3,288,144
U.S. Department of Health and Human Services passed through Total Community Action			
- Head Start Program	33.600	565,760	565,760
Total major programs		<u>3,899,048</u>	<u>3,853,904</u>
<b>NONMAJOR PROGRAMS</b>			
Passed through local agencies:			
Department of Agriculture			
- Child and Adult Care Food Program	10.558	99,527	109,564
Federal Emergency Management Agency			
- Emergency Food and Shelter National Board Program	83.323	14,872	14,872
Community Development Block Grants			
- Summer Witness Program	14.219	51,878	51,878
- Adult Literacy Program	14.233	21,859	21,859
- Senior Enrichment Program	14.268	34,877	34,877
U.S. Department of Housing and Urban Development			
- State Emergency Shelter Grant Program	None	32,808	32,808
Total nonmajor programs		<u>149,684</u>	<u>150,679</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u>\$4,048,732</u>	<u>\$4,004,583</u>

See notes to schedule of federal financial assistance.

## PHILMAT, INC.

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 1998

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** - PHILMAT, Inc. (PHILMAT) is the corporate title for the Office of the Social Apostolate, an organization sponsored and controlled by the Roman Catholic Church of the Archbishop of New Orleans (Archdiocese) and organized to provide non-secular community services to individuals residing within New Orleans, Baton Rouge, Lafayette and Bossier. A significant portion of the revenues of PHILMAT are contributions received in response to an annual appeal, and are restricted in use for the purposes 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 185 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.

The low-income housing program, Neighborhood Housing Program (NHP), owns and rents six double duplex houses to low-income individuals and/or families. The rental properties are managed by an independent realty company and certain subsidies are provided to participants by Housing Authority of New Orleans and other organizations.

**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.

During 1995, PHILMAT adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," SFAS No. 117, "Financial Statements of Not-for-Profit Organizations" and SFAS No. 124, "Accounting for Certain Investments Held for Not-for-Profit Organizations." SFAS No. 116 requires that unconditional promises to give (pledged) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net assets category in accordance with donor-imposed restrictions. SFAS No. 117 establishes standards for internal financial reporting by not-for-profit organizations and requires that revenues be classified for accounting and reporting purposes into three net asset categories according to donor-imposed restrictions. In addition, PHILMAT is required to present a statement of cash flows. A description of the three net assets categories 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.





**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED  
ON THE AUDIT OF THE FINANCIAL STATEMENTS**

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

We have audited the financial statements of PHELMAT, Inc. (PHELMAT) as of and for the year ended June 30, 1996, and have issued our report thereon dated August 8, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Comptroller Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of PHELMAT is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, perception of any evaluation of the structure in future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of PHELMAT for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.



**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, 1996, 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, 1995, 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 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, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, during the year ended June 30, 1996, PHILMAT changed its method of accounting for contributions received and applied newly established financial reporting standards for not-for-profit organizations.

As discussed in Note 3 to the financial statements, at July 1, 1995, PHILMAT changed its method of accounting for investments from the historical cost method of valuation to the fair value method.

In accordance with Government Auditing Standards, we have also issued a report dated August 9, 1996 on our consideration of PHILMAT's internal control structure and a report dated August 9, 1996 on its compliance with laws and regulations.

August 9, 1996



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON THE AUDIT  
OF FINANCIAL STATEMENTS**

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, 1996 and have issued our report thereon dated August 9, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, grants, and binding policies and procedures applicable to PHILMAT is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of PHILMAT's compliance with certain provisions of laws, regulations, contracts, grants, and binding policies and procedures. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

We also tested compliance with laws and regulations related to federal financial assistance which we reported to PHILMAT in our reports dated August 9, 1996 on general requirements, on specific requirements for major programs and on specific compliance for nonmajor program transactions.

This report is intended for the information of the management and others within the organization, and the U.S. Department of Agriculture. However, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche LLP*

August 9, 1996



**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE  
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

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, 1996, and have issued our report thereon dated August 9, 1996. We have also audited PHILMAT's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated August 9, 1996.

We conducted our audits in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget ("OMB") Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether PHILMAT complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended June 30, 1996, we considered its internal control structure and assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated August 9, 1996.

The management of PHILMAT is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the reported benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of

noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure in future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

**Accounting Controls:**

- Cash receipts
- Purchasing and receiving
- Cash disbursements
- Payroll
- Property and equipment
- General ledger

**Controls Used in Administering Federal Financial Assistance Programs:**

**Applicable General Requirements:**

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable cost/expense principles
- Drug-Free Workplace Act
- Administrative requirements

**Applicable Specific Requirements:**

- Types of services allowed or not allowed
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Special terms and provisions
- Claims for advances and reimbursements
- Amounts claimed or used for matching

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, PIERMACK expended approximately 94% of its total federal financial assistance under major programs.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL  
REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Most Reverend Francis B. Schelle, 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 9, 1998. We have also audited PHILMAT's compliance applicable to requirements of major federal financial assistance programs and have issued our report thereon dated August 9, 1998.

We have applied procedures to test PHILMAT's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended June 30, 1998:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

The requirements of Davis-Bacon Act are not applicable to the federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on PHILMAT's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that PHILMAT had not complied, in all material aspects, with these requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with these requirements, which are described in the accompanying Schedule of Findings on page 24.

We also reported on compliance with laws and regulations related to our audit of the financial statements and with requirements related to major and nonmajor federal financial assistance programs which we reported to OHELMAT in our reports dated August 9, 1996.

This report is intended for the information of the management and others within the organization, and the U.S. Department of Agriculture. However, this report is a matter of public record and its distribution is not limited.

*Dalittle & Associates LLC*

August 9, 1996



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC  
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE  
PROGRAMS**

Myrt Reverend Francis B. Schulz, 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, 1996, and have issued our report thereon dated August 9, 1996.

We have also audited PHILMAT's compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort, or cost-sharing; reporting; cost allocation; special tests and provisions; claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended June 30, 1996. The management of PHILMAT is responsible for PHILMAT's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about PHILMAT's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings. We considered those instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, PHILMAT complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or cost-sharing; reporting; cost allocation; special tests and provisions; claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1996.



## PHILMAT, INC.

### NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE YEAR ENDED JUNE 30, 1996

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#### 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 IRL 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 Federal Financial Assistance 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.

*Accrual 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.

#### 3. FINDINGS OF NONCOMPLIANCE

The findings of noncompliance identified in connection with the June 30, 1996 audit are disclosed in the accompanying Schedule of Findings on page 34.

**PHILMAT, INC.**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 1996, WITH COMPARATIVE TOTALS FOR JUNE 30, 1995**

<b>ASSETS</b>	<b>1996</b>	<b>1995</b>
Cash	\$ 6,421	\$ 64,989
Money market accounts		
General accounts	583,442	686,829
Archdiocese - community appeal	<u>13,463</u>	<u>21,435</u>
Total cash equivalents	603,326	773,253
Grants receivable	894,803	133,244
Contributions receivable, net of allowance of \$1,000	50,293	-
Investments	4,021,712	4,077,314
Property - net	<u>1,930,864</u>	<u>2,038,749</u>
<b>TOTAL ASSETS</b>	<b><u>\$7,483,438</u></b>	<b><u>\$7,143,617</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
Funds held for affiliates	\$ 719,766	\$ 719,765
Net Assets:		
Unrestricted	7,149,378	6,432,744
Temporarily restricted	<u>58,292</u>	<u>-</u>
Total net assets	<u>7,207,670</u>	<u>6,432,744</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$7,925,436</u></b>	<b><u>\$7,143,617</u></b>

See notes to financial statements.

# PHILMAT, INC.

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## PHILMAT, INC.

Financial Statements for the Year Ended  
June 30, 1996 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 auditor, or reviewer, and other appropriate public officials. The report is available for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Shreveport, Louisiana June 23, 1996

**PHILMAT, INC.**

**STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 1996**

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**FINDINGS**

1. During the test of cash disbursements at the Head Start Program, we noted three instances of 25 items tested where the invoice was not marked paid before the check cleared. All invoices should be cancelled to avoid duplicate payments.

**Status**

During our 1996 procedures, no such instances were noted.

## PHILMAT, INC.

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 1996

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### I. INTERNAL CONTROLS USED IN ADMINISTERING FEDERAL AWARDS

#### MAJOR PROGRAM - COMMODITY SUPPLEMENTAL FOOD AND WAREHOUSE PROGRAM

##### Observation

During the testing of 80 shipments from the Food for Families warehouse, we noted one instance where the quantity on the food order after adjustments (Taregate Shipments) did not equal the adjusted number on the Tab Order.

##### Management's Response

The finding involved human error on the part of the bookkeeper. The policy is to record the number of cases shipped from the shipping invoice. Greater care will be exercised in the future.

### II. SPECIFIC REQUIREMENTS

#### ELIGIBILITY

##### Nutrition Program - Child and Adult Care Food Program

##### Observation

During the testing of eligibility for the Child and Adult Care Food Program, we noted that of thirty participants selected, one of the participant's application was not signed and the application for another child was not included in his file.

##### Management's Response

The application for the first child was not signed by the parent although the center had tried to contact the parent numerous times. The parent could either not be reached or refused to come in and sign the application. The application for the other child was missing from his file because the child joined the program late (March 1996) and had not yet completed the application.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM  
TRANSACTIONS**

Most Reverend Francis B. Schuler, S.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, 1996, and have issued our report thereon dated August 9, 1996. We have also audited PHILMAT's compliance applicable to requirements of major federal financial assistance programs and applied procedures to test compliance with general requirements applicable to federal financial assistance programs and have issued our reports thereon dated August 9, 1996.

In connection with our audit of the 1996 financial statements of PHILMAT and with our consideration of PHILMAT's internal control structure used to administer federal financial assistance programs and our assessment of control risk, as required by Office of Management and Budget ("OMB") Circular A-133, *Audit of Institutions of Higher Education and Other Nonprofit Institutions*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1996.

As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed and eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on PHILMAT's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of these procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that PHILMAT had not complied, in all material respects, with these requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with these requirements, which are described in the accompanying Schedule of Findings on page 24.

This report is intended for the information of the management and others within the organization, and the U.S. Department of Agriculture. However, this report is a matter of public record and its distribution is not limited.

August 9, 1996

**PHILMAT, INC.**

**STATEMENTS OF CASH FLOWS**

**YEAR ENDED JUNE 30, 1995, WITH COMPARATIVE TOTALS FOR JUNE 30, 1994**

	1995	1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 162,826	\$ 189,086
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	69,278	59,183
Gain on the sale of property	(18,714)	-
Net unrealized gain on investments	(79,863)	-
Changes in operating assets and liabilities:		
(Decrease) decrease in grants receivable	(326,118)	87,678
Increase in contributions receivable	(58,292)	-
(Decrease) increase in funds held for affiliates	(399,517)	288,407
Net cash (used in) provided by operating activities	<u>(227,388)</u>	<u>628,254</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Decrease in investments	127,187	28,283
Acquisition of property	(28,334)	(218,383)
Proceeds from the sale of property	<u>88,253</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>187,106</u>	<u>(190,100)</u>
<b>INCREASE (DECREASE) IN CASH EQUIVALENTS</b>	<b>(40,282)</b>	<b>438,154</b>
<b>BALANCE AT BEGINNING OF YEAR:</b>	<u>694,358</u>	<u>246,184</u>
<b>BALANCE AT END OF YEAR</b>	<b>\$ 654,076</b>	<b>\$ 684,338</b>

See notes to financial statements.



**PHILMAT, INC.**

**STATEMENTS OF ACTIVITIES**

**YEAR ENDED JUNE 30, 1988, WITH COMPARATIVE TOTALS FOR JUNE 30, 1988**

	Unrestricted	Temporarily Restricted	Total	
			1988	1988
<b>REVENUE:</b>				
Grant Revenue:				
Commodity supplemental food and warehouse program	\$3,368,146	\$ -	\$3,368,146	\$3,828,449
Headstart program	585,798	-	585,798	724,801
Other programs	290,628	-	290,628	193,291
	<u>4,134,572</u>	<u>-</u>	<u>4,134,572</u>	<u>4,755,541</u>
Contributions	1,265,880	50,181	1,316,075	1,357,868
Investment income	511,197	-	511,197	155,348
Net unrealized gain on investments	71,983	-	71,983	-
Rent	39,223	-	39,223	40,237
Other	182,218	-	182,218	64,580
	<u>6,187,371</u>	<u>50,361</u>	<u>6,237,662</u>	<u>6,375,948</u>
<b>EXPENSES:</b>				
Program services	5,626,251	-	5,626,251	6,868,643
Fund raising	62,831	-	62,831	33,980
Depreciation expense	65,270	-	65,270	59,183
	<u>5,754,352</u>	<u>-</u>	<u>5,754,352</u>	<u>6,961,806</u>
<b>CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>				
	412,019	58,290	471,311	194,086
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>				
	<u>388,601</u>	<u>-</u>	<u>388,601</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>				
	712,624	58,290	762,626	-
<b>BEGINNING NET ASSETS</b>				
	<u>6,432,744</u>	<u>-</u>	<u>6,432,744</u>	<u>6,738,658</u>
<b>ENDING NET ASSETS</b>				
	<u>\$7,145,378</u>	<u>\$ 58,290</u>	<u>\$7,195,678</u>	<u>\$6,633,144</u>

See notes to financial statements.

This report is intended for the information of the management and officers within the organization, and the U.S. Department of Agriculture. However, this report is a matter of public record and its distribution is not limited.

*Palatt & Associates*

August 9, 1996