

Financial Report

PACE Greater New Orleans

June 30, 2006

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

Release Date 6-20-07

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
PACE Greater New Orleans,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of PACE Greater New Orleans (a nonprofit organization) ("PACE") as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of PACE. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from PACE's 2005 financial statements and, in our report dated January 20, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PACE Greater New Orleans as of June 30, 2006, and the changes in its net assets and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2007, on our consideration of PACE Greater New Orleans' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
February 28, 2007.

STATEMENT OF FINANCIAL POSITION**PACE Greater New Orleans
New Orleans, Louisiana**June 30, 2006
(with comparative totals for 2005)**ASSETS**

	<u>2006</u>	<u>2005</u>
Cash	\$ -	\$ 300
Due from affiliate	-	15,517
Other receivables	8,316	7,801
Prepaid expenses and deferred charges	57,091	76,193
Unconditional promises to give, net of discount	1,568,684	1,532,449
Property and equipment, net	<u>3,390,063</u>	<u>3,227,973</u>
Total assets	<u>\$ 5,024,154</u>	<u>\$ 4,860,233</u>

LIABILITIES AND NET ASSETS**Liabilities:**

Due to affiliate	\$ 363,956	\$ -
Accounts payable and accrued expenses	13,471	112,277
Unemployment reserve	<u>365</u>	<u>-</u>
Total liabilities	<u>377,792</u>	<u>112,277</u>

Net assets:

Unrestricted	2,917,981	3,023,573
Temporarily restricted	<u>1,728,381</u>	<u>1,724,383</u>
Total net assets	<u>4,646,362</u>	<u>4,747,956</u>
Total liabilities and net assets	<u>\$ 5,024,154</u>	<u>\$ 4,860,233</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**PACE Greater New Orleans**
New Orleans, LouisianaFor the year ended June 30, 2006
(with comparative totals for 2005)

	Unrestricted	Temporarily Restricted	Totals	
			2006	2005
Revenues				
Public support:				
Contributions	\$ 220,909	\$ 50,000	\$ 270,909	\$ 345,411
Total public support	220,909	50,000	270,909	345,411
Governmental financial assistance:				
U.S. Department of Housing and Urban Development:				
Economic Development Initiatives	-	-	-	497,050
Passed through the City of New Orleans	-	41,242	41,242	208,758
U.S. Department of Homeland Security				
Federal Emergency Management Agency	14,033	-	14,033	-
State of Louisiana				
Division of Administration	41,034	-	41,034	32,772
Total governmental financial assistance	55,067	41,242	96,309	738,580
Other Revenue:				
Property loss and expenses, net of insurance recoveries (Hurricane Katrina)	762	-	762	-
Net assets released from restrictions	87,244	(87,244)	-	-
Total other revenue	88,006	(87,244)	762	-
Total revenue	363,982	3,998	367,980	1,083,991
Expenses				
Program services	438,884	-	438,884	495,901
Management and general	30,690	-	30,690	31,850
Total expenses	469,574	-	469,574	527,751
Change in Net Assets	(105,592)	3,998	(101,594)	556,240
Net Assets				
Beginning of year	3,023,573	1,724,383	4,747,956	4,191,716
End of year	\$ 2,917,981	\$ 1,728,381	\$ 4,646,362	\$ 4,747,956

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**PACE Greater New Orleans**
New Orleans, LouisianaFor the year ended June 30, 2006
(with comparative totals for 2005)

	Program Services	Management and General	Totals	
			2006	2005
Salaries	\$ 251,683	\$ 14,526	\$ 266,209	\$ 238,911
Employee benefits	11,122	2,099	13,221	17,703
Payroll taxes	19,946	1,050	20,996	15,359
Total salaries and related expenses	282,751	17,675	300,426	271,973
Professional fees and contract services	57,913	3,885	61,798	98,805
Supplies	9,157	911	10,068	27,915
Equipment expense	15,273	1,522	16,795	25,232
Occupancy	46,318	1,716	48,034	34,741
Travel and transportation	2,493	178	2,671	2,191
Personnel recruitment and development	4,821	835	5,656	31,622
Insurance	19,601	193	19,794	4,698
Food	271	-	271	362
Miscellaneous	62	114	176	15,500
Specific assistance to individuals	-	-	-	74
Interest	-	2,105	2,105	924
Depreciation	224	1,556	1,780	13,714
Total expenses	\$ 438,884	\$ 30,690	\$ 469,574	\$ 527,751

See notes to financial statements.

STATEMENT OF CASH FLOWS**PACE Greater New Orleans
New Orleans, Louisiana**For the year ended June 30, 2006
(with comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (101,594)	\$ 556,240
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	224	12,160
Changes in assets and liabilities:		
Decrease in due from (to) affiliate	379,473	415,420
Decrease (increase) in unconditional promises to give	(36,235)	996,189
Increase in other receivables	(515)	(7,801)
(Increase) decrease in prepaid expenses and deferred charges	19,102	(3,304)
Increase (decrease) in accounts payable	(98,806)	105,369
Increase in unemployment reserves	365	-
Net cash provided by operating activities	<u>162,014</u>	<u>2,074,273</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(162,314)</u>	<u>(2,074,273)</u>
Net Decrease in Cash	(300)	-
Cash		
Beginning of year	<u>300</u>	<u>300</u>
End of year	<u>\$ -</u>	<u>\$ 300</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**PACE Greater New Orleans**

June 30, 2006

Note 1 - NATURE OF ACTIVITIES

PACE Greater New Orleans ("PACE") is the corporate title for the Program for All-Inclusive Care for the Elderly, a national model of healthcare for seniors. PACE is a Louisiana nonprofit corporation sponsored by Catholic Charities Archdiocese of New Orleans ("Catholic Charities").

PACE is organized to provide community services such as medical treatment, social services, meals, activities, and transportation, allowing seniors to spend their final years at home rather than in a nursing home.

During the period ended June 30, 2004, the Congregation of St. Cecilia Roman Catholic Church donated a portion of ground, together with all the buildings and improvements to PACE. The appraisal placed a value of \$500,000 on the donation. These buildings have been converted into the Shirley Landry Benson PACE Center at St. Cecilia for use in providing services to eligible seniors in the New Orleans area. The building dedication took place on May 26, 2005; however, due to the effects of Hurricane Katrina, the opening of the PACE program has been postponed (Note 10). As of June 30, 2006, PACE has not yet started operations.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization and Income Taxes**

PACE was organized as a nonprofit corporation under the laws of the State of Louisiana on December 17, 2003. PACE is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the code.

b. Basis of Accounting

The financial statements of PACE are prepared on the accrual basis of accounting.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Financial Statement Presentation

Statement of Financial Standards No. 117, "Financial Statements of Not-For-Profit Organizations", requires reporting of information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets based on donor stipulations and restrictions placed on contributions, if any. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Contracts for services, contributions, and other revenues and expenditures of funds for the general operation of its programs.

Temporarily restricted net assets - Contributions and other revenues specifically stipulated by the donor or grantor to be used for specific purposes or to benefit specific accounting periods.

Permanently restricted net assets - Contributions with donor-imposed restrictions that stipulate that the principal be maintained permanently, but permit the use of all or part of the income derived. PACE does not have any permanently restricted net assets.

d. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

e. Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Contributions (Continued)

Contributions that will be paid over periods exceeding one year have been discounted to present value as of June 30, 2006 and 2005.

f. Promises to Give

Contributions are recognized when the donor makes a promise to give to PACE that is in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give are stated at the amount management expects to collect from outstanding balances. Accordingly, a valuation allowance was determined to be unnecessary for pledges or grants receivable as of June 30, 2006 and 2005.

g. Functional Expenses

PACE allocates its expenses on a functional basis between the PACE program services and management and general functions.

h. Property and Equipment

Property and equipment are recorded at cost, or when acquired by donation or gift, appraised values at the date of donation, with subsequent additions at cost. The vehicle was depreciated over an estimated useful life of three years. Other property and equipment have not been placed in service as of June 30, 2006, and, therefore, are not yet being depreciated.

i. Statement of Cash Flows

As of June 30, 2006 and 2005, there were no assets which were considered to be cash equivalents.

Note 3 - PROMISES TO GIVE

Contributions and private grants receivable are included in the financial statements as unconditional promises to give and revenue of the appropriate net asset category.

Unconditional promises to give as of June 30, 2006 are expected to be collected in the following periods:

Less than one year	\$	400,000
One to five years		1,000,000
More than five years		<u>400,000</u>
		1,800,000
Unamortized discount		<u>(231,316)</u>
Total		<u>\$ 1,568,684</u>

Note 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Land	\$ 90,000	\$ 90,000
Buildings	3,083,209	491,060
Equipment and furnishings	216,854	199,398
Construction in progress	-	2,423,195
Vehicle	-	<u>36,480</u>
Subtotals	3,390,063	3,240,133
Less accumulated depreciation	<u>-</u>	<u>(12,160)</u>
Totals	<u>\$ 3,390,063</u>	<u>\$ 3,227,973</u>

The vehicle that was in use at June 30, 2005 was transferred to Catholic Charities Archdiocese of New Orleans, following the approval of the Louisiana Department of Transportation, which had funded the vehicle purchase. Other property and equipment have not yet been placed in service as of June 30, 2006.

Note 5 - TEMPORARILY RESTRICTED NET ASSETS

On October 1, 2004, PACE was awarded a \$250,000 grant by the City of New Orleans for construction costs related to the renovation of the Shirley Landry Benson PACE Center at St. Cecilia. The terms of the grant provide for partial repayment under certain conditions which generally relate to a change in ownership or a change in use. The restrictions apply during a five year period beginning on the date of the grant. After each grant anniversary date during the five year restriction period, \$50,000 will be released from restrictions. As of June 30, 2006 and 2005, grant-related construction costs totaling \$150,000 and \$158,758, respectively, are being held as temporarily restricted net assets.

During the years ended June 30, 2006 and 2005, PACE received other grants and contributions which were restricted for the renovations and operation of the Shirley Landry Benson PACE Center at St. Cecilia and for other costs incurred in establishing the PACE program. Temporarily restricted net assets of \$1,578,381 and \$1,565,625 as of June 30, 2006 and 2005, respectively, represent the balances of these other grants and contributions less capital expenditures and expenses for the years then ended.

Note 6 - RETIREMENT PLANS

PACE offers a 401(k) defined contribution plan to its employees. Employees electing to participate in the plan are required to contribute a minimum of 3% of their salaries, and may elect to contribute up to a 16% maximum. The plan requires PACE to contribute 3.5% of the participants' salaries. The plan expense also includes an additional 2.0% contribution by PACE to cover plan costs for life insurance and disability insurance for the employees. Any remaining funds from the 2.0% contribution may be used as a discretionary employer contribution to the plan. The plan administrator is the Archdiocese of New Orleans. PACE contributed \$4,276 and \$3,837, for the years ended June 30, 2006 and 2005, respectively.

Note 7 - RELATED PARTY TRANSACTIONS

Certain accounting and administrative services are provided to PACE by Catholic Charities. Accordingly, a portion of Catholic Charities' management and general expenses are allocated to PACE for these services based on units of service, volume of activity, or other equitable basis. The management and general expenses allocated to PACE totaled \$40,575 and \$40,362 for the years ended June 30, 2006 and 2005, respectively. These allocated expenses and substantially all other expenses of PACE are paid by Catholic Charities and recorded as due to affiliate on PACE's books. Substantially all income of PACE is received by Catholic Charities on PACE's behalf and recorded as due from affiliate on PACE's books. As of June 30, 2006, PACE owed Catholic Charities \$363,956. As of June 30, 2005, Catholic Charities owed \$15,517 to PACE.

Note 8 - RISK MANAGEMENT

PACE is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2006.

Note 9 - CONSTRUCTION IN PROGRESS

During the period ended June 30, 2004, PACE entered into a contract for the renovation of the Shirley Landry Benson PACE Center at St. Cecilia. Construction was complete at June 30, 2006.

Note 10 - HURRICANE KATRINA

On August 29, 2005, New Orleans and the surrounding area suffered a natural disaster, Hurricane Katrina. The Shirley Landry Benson PACE Center at St. Cecilia sustained moderate damage, which has been repaired. Insurance proceeds of \$285,040 exceeded repair costs by \$762. Due to the extensive damage in the surrounding area, the start of PACE operations has been postponed until a more appropriate time when its business partners and client base are able to return to the area.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
PACE Greater New Orleans,
New Orleans, Louisiana.

We have audited the financial statements of PACE Greater New Orleans (a nonprofit organization) ("PACE") as of and for the year ended June 30, 2006 and have issued our report thereon dated February 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered PACE Greater New Orleans'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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PACE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
February 28, 2007.

SCHEDULE OF FINDINGS AND RESPONSES

PACE Greater New Orleans

For the year ended June 30, 2006

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are
not considered to be material weakness yes none reported

Noncompliance material to financial statements noted? yes no

b) Federal Awards

PACE did not receive Federal awards in excess of \$500,000 during the year ended June 30, 2006, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II - Financial Statement Findings

No financial statement findings were noted during the audit of the financial statements for the year ended June 30, 2006.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

PACE Greater New Orleans

For the year ended June 30, 2006

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2005.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2005.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2005.

Section II - Internal Control and Compliance Material to Federal Awards

PACE did not receive Federal awards in excess of \$500,000 during the year ended June 30, 2005 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2005.

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

PACE Greater New Orleans

For the year ended June 30, 2006

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2006.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2006.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2006.

Section II - Internal Control and Compliance Material To Federal Awards

PACE did not receive Federal awards in excess of \$500,000 during the year ended June 30, 2006 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2006.