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*Financial Report*

***PACE Greater New Orleans***

*June 30, 2005*

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 3-28-07

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June 30, 2005

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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, 2005, 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 2004 financial statements and, in our report dated April 25, 2005, 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, 2005, 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 January 20, 2006, 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 grants. 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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
January 20, 2006.

**STATEMENT OF FINANCIAL POSITION****PACE Greater New Orleans  
New Orleans, Louisiana**June 30, 2005  
(with comparative totals for 2004)

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
Cash	\$ 300	\$ 300
Unconditional promises to give:		
Pledges, net of discount	1,532,449	2,328,638
Governmental grants	-	200,000
Other receivables	7,801	-
Property and equipment, net	3,227,973	1,165,860
Prepaid expenses and deferred charges	76,193	72,889
Due from affiliate	15,517	430,937
	<u>\$ 4,860,233</u>	<u>\$ 4,198,624</u>
Total assets		

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable	\$ 112,277	\$ 6,908
Net assets:		
Unrestricted	3,023,573	1,190,860
Temporarily restricted	1,724,383	3,000,856
	<u>4,747,956</u>	<u>4,191,716</u>
Total net assets		
	<u>\$ 4,860,233</u>	<u>\$ 4,198,624</u>
Total liabilities and net assets		

See notes to financial statements.

**STATEMENT OF ACTIVITIES****PACE Greater New Orleans**  
New Orleans, Louisiana

For the year ended June 30, 2005

(with comparative totals for the period from December 17, 2003 (inception) through June 30, 2004)

	Unrestricted	Temporarily Restricted	Totals	
			2005	2004
<b>Revenues</b>				
<b>Public support:</b>				
Contributions and private grants	\$ 120,411	\$ 225,000	\$ 345,411	\$ 3,313,119
Contribution from associated organization	-	-	-	500,000
<b>Total public support</b>	<b>120,411</b>	<b>225,000</b>	<b>345,411</b>	<b>3,813,119</b>
<b>Governmental financial assistance:</b>				
U.S. Department of Housing and Urban Development	497,050	-	497,050	-
Louisiana Department of Administration	32,772	-	32,772	-
City of New Orleans	208,758	-	208,758	-
Louisiana Department of Health and Hospitals	-	-	-	433,000
Louisiana Department of Transportation	-	-	-	29,182
<b>Total grants</b>	<b>738,580</b>	<b>-</b>	<b>738,580</b>	<b>462,182</b>
<b>Other Revenue:</b>				
Net assets released from restrictions	1,501,473	(1,501,473)	-	-
<b>Total revenue</b>	<b>2,360,464</b>	<b>(1,276,473)</b>	<b>1,083,991</b>	<b>4,275,301</b>
<b>Expenses</b>				
Program services	495,901	-	495,901	238,137
Management and general	31,850	-	31,850	25,407
<b>Total expenses</b>	<b>527,751</b>	<b>-</b>	<b>527,751</b>	<b>263,544</b>
<b>Change in Net Assets</b>	<b>1,832,713</b>	<b>(1,276,473)</b>	<b>556,240</b>	<b>4,011,757</b>
<b>Net Assets</b>				
Beginning of year	1,190,860	3,000,856	4,191,716	-
Capital contribution	-	-	-	179,959
<b>End of year</b>	<b>\$ 3,023,573</b>	<b>\$ 1,724,383</b>	<b>\$ 4,747,956</b>	<b>\$ 4,191,716</b>

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES****PACE Greater New Orleans  
New Orleans, Louisiana**

For the year ended June 30, 2005

(with comparative totals for the period from December 17, 2003 (inception) through June 30, 2004)

	Program Services	Management and General	Totals	
			2005	2004
Salaries	\$ 223,598	\$ 15,313	\$ 238,911	\$ 134,652
Employee benefits	15,575	2,128	17,703	10,963
Payroll taxes	14,330	1,029	15,359	9,368
<b>Total salaries and related expenses</b>	<b>253,503</b>	<b>18,470</b>	<b>271,973</b>	<b>154,983</b>
Professional fees and contract services	94,900	3,905	98,805	40,932
Supplies	26,832	1,083	27,915	11,719
Equipment expense	24,375	857	25,232	-
Occupancy	31,228	3,513	34,741	21,927
Travel and transportation	2,025	166	2,191	-
Personnel recruitment and development	30,944	678	31,622	24,059
Insurance	4,408	290	4,698	-
Food	362	-	362	-
Miscellaneous	15,090	410	15,500	9,924
Specific assistance to individuals	74	-	74	-
Interest	-	924	924	-
Depreciation	12,160	1,554	13,714	-
<b>Total expenses</b>	<b>\$ 495,901</b>	<b>\$ 31,850</b>	<b>\$ 527,751</b>	<b>\$ 263,544</b>

See notes to financial statements.



**STATEMENT OF CASH FLOWS****PACE Greater New Orleans**  
New Orleans, Louisiana

For the year ended June 30, 2005

(with comparative totals for the period from December 17, 2003 (inception) through June 30, 2004)

	2005	2004
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 556,240	\$ 4,011,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contributions	-	(540,128)
Depreciation	12,160	-
Changes in assets and liabilities:		
Decrease (increase) in unconditional promises to give	996,189	(2,528,638)
Increase in other receivables	(7,801)	-
Increase in prepaid expenses and deferred charges	(3,304)	(72,889)
Decrease (increase) in due from affiliate	415,420	(430,937)
Increase in accounts payable	105,369	6,908
Net cash provided by operating activities	<u>2,074,273</u>	<u>446,073</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of equity securities	-	40,128
Purchases of property and equipment	<u>(2,074,273)</u>	<u>(665,860)</u>
Net cash used in investing activities	<u>(2,074,273)</u>	<u>(625,732)</u>
<b>Cash Flows From Financing Activities</b>		
Capital contribution	-	179,959
Net cash provided by financing activities	<u>-</u>	<u>179,959</u>
<b>Net Increase in Cash</b>	-	300
<b>Cash</b>		
Beginning of year	<u>300</u>	<u>-</u>
End of year	<u>\$ 300</u>	<u>\$ 300</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Noncash contributions:		
Land and building	\$ -	\$ 500,000
Equity securities	-	40,128
Total	<u>\$ -</u>	<u>\$ 540,128</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**PACE Greater New Orleans**

June 30, 2005

**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.

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. The building dedication took place on May 26, 2005; however, due to effects of Hurricane Katrina the opening of the PACE program has been postponed (Note 10.)

**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. Certain contributions and private grants totaling \$113,327 were received prior to incorporation. Also, expenses totaling \$112,601 were incurred prior to incorporation. These pre-incorporation amounts are included in the statement of activities as revenues and expenses for the period ended June 30, 2004.

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.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Basis of Accounting**

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

**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.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

Contributions that will be paid over periods exceeding one year have been discounted to present value as of June 30, 2005 and 2004.

**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, 2005 and 2004.

**g. Functional Expenses**

PACE allocates its expenses on a functional basis among the PACE program and management and general.

**h. Property and Equipment**

Property and equipment are recorded at cost. Property acquired by donation or gift is recorded at its appraised value at the date of donation.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i. Statement of Cash Flows**

PACE considers all cash and money market accounts to be cash equivalents. As of June 30, 2005 and 2004, there were no cash equivalents.

**j. Reclassifications**

Certain amounts in the June 30, 2004 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on the previously reported change in net assets.

**Note 3 - PROMISES TO GIVE**

Pledges and 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, 2005 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>(267,551)</u>
Total	<u>\$1,532,449</u>

**Note 4 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2005 and 2004 is as follows:

	2005	2004
Land	\$ 90,000	\$ 90,000
Buildings	491,060	410,000
Equipment and furnishings	199,398	-
Construction in progress	2,423,195	629,380
Vehicle	36,480	36,480
Subtotals	3,240,133	1,165,860
Less accumulated depreciation	(12,160)	-
Totals	<b>\$3,227,973</b>	<b>\$1,165,860</b>

Property and equipment, other than the vehicle, have not yet been placed in service as of June 30, 2005.

**Note 5 - TEMPORARILY RESTRICTED NET ASSETS**

During the year ended June 30, 2005 and the period ended June 30, 2004, PACE received grants and contributions which were restricted for the renovations of the Shirley Landry Benson PACE Center at St. Cecilia and for other costs incurred in establishing the PACE program. Temporarily restricted net assets as of June 30, 2005 and 2004, represents the balance of these revenues less capital expenditures and expenses for the year and period then ended.

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 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, 2005, grant related construction costs totaling \$158,758 are being held as temporarily restricted.

**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. PACE contributed \$3,837 and \$4,861, for the year and period ended June 30, 2005 and 2004, respectively.

**Note 7 - RELATED PARTY TRANSACTIONS**

Prior to becoming a separate legal entity on December 17, 2003, PACE was a program of PHILMAT, Inc., a nonprofit corporation. As of June 30, 2005, Catholic Charities owed \$15,517 to PACE. As of June 30, 2004, PHILMAT owed \$430,937 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, 2005.

**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 in progress totaled \$2,423,195 as of June 30, 2005, with renovations being substantially complete.

**Note 10 - SUBSEQUENT EVENT**

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; however, because of the extensive damage in the surrounding area, the start of PACE operations has been postponed.

Management estimates that there was moderate damage to the PACE Center, including minimal flood damage and some wind damage. Loss due to wind damage to the facility is insured. Flood losses will be repaired with donated funds.

**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, 2005 and have issued our report thereon dated January 20, 2006. 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 over financial reporting 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 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.

*Bouges & Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
January 20, 2006.

**SCHEDULE OF FINDINGS AND RESPONSES**

**PACE Greater New Orleans**

**For the year ended June 30, 2005**

**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  X  no
- Reportable condition(s) identified that are  
not considered to be material weakness        \_\_\_ yes  X  none reported

Noncompliance material to financial statements noted?    \_\_\_ yes  X  no

**b) 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 II - Financial Statement Findings**

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

**Section III - Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

**SCHEDULE FOR PRIOR YEAR FINDINGS AND RESPONSES**

**PACE Greater New Orleans**

For the year ended June 30, 2005

**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 period from December 17, 2003 (inception) through June 30, 2004.

No reportable conditions were reported during the audit of the financial statements for the period from December 17, 2003 (inception) through June 30, 2004.

**Compliance**

**04-1 Recommendation** - Accounting must be finalized in order to submit an audit report to the Legislative Auditor within six months of its year end.

**Management's Response** - Resolved. Corporate reorganization is complete. Audit report was submitted to the Legislative Auditor within the prescribed time for filing, including extensions related to Hurricane Katrina.

**Section II - Internal Control and Compliance Material to Federal Awards**

PACE did not receive Federal awards in excess of \$500,000 during the period December 17, 2003 (inception) through June 30, 2004 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 period from December 17, 2003 (inception) through June 30, 2004.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

**PACE Greater New Orleans**

**For the year ended June 30, 2005**

### **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 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 for the year ended June 30, 2005.