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PHILMAT, INC.

Financial Statements for the Year Ended
June 30, 2000 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 may be furnished to the entity and other persons who are public officials. The report is available to the public at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-17-01

PHILMAT, INC.

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

Tel: (504) 581-2727
Fax: (504) 561-7293
www.us.deloitte.com

**Deloitte
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INDEPENDENT AUDITORS' REPORT

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

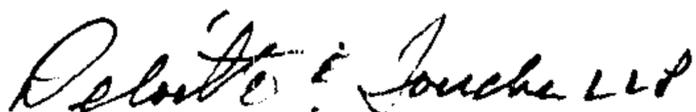
We have audited the accompanying statement of financial position of PHILMAT, Inc. ("PHILMAT") as of June 30, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of PHILMAT. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from PHILMAT's 1999 financial statements and, in our report dated September 30, 1999, 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 accompanying financial statements present fairly, in all material respects, the financial position of PHILMAT as of June 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of PHILMAT, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the management of PHILMAT, Inc. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2000, on our consideration of PHILMAT's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.



November 22, 2000

Deloitte
Touche
Tohmatsu

PHILMAT, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2000, WITH COMPARATIVE TOTALS FOR JUNE 30, 1999

ASSETS	2000	1999
Cash	\$ 57,240	\$ 38,198
Money market accounts:		
General account	1,190,213	440,614
Archbishop's community appeal	<u>660,563</u>	<u>26,789</u>
Total cash and cash equivalents	<u>1,908,016</u>	<u>505,601</u>
Grants receivable	967,778	978,084
Contributions receivable, net of allowance of \$6,921 in 2000 and 1999	146,366	257,519
Prepaid expenses	4,250	-
Investments	3,821,221	5,082,747
Property - net	2,255,569	1,846,555
Due from affiliates	<u>62,079</u>	<u>40,000</u>
TOTAL ASSETS	<u>\$9,165,279</u>	<u>\$8,710,506</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Funds held for others	\$ 784,653	\$ 268,699
Other liabilities	<u>197,251</u>	<u>77,251</u>
Total liabilities	<u>981,904</u>	<u>345,950</u>
Net Assets:		
Unrestricted	7,878,804	7,840,121
Temporarily restricted	<u>304,571</u>	<u>524,435</u>
Total net assets	<u>8,183,375</u>	<u>8,364,556</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$9,165,279</u>	<u>\$8,710,506</u>

See notes to financial statements.

PHILMAT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2000, WITH COMPARATIVE TOTALS FOR JUNE 30, 1999

	Unrestricted	Temporarily Restricted	Total	
			2000	1999
REVENUE:				
Grant Revenue:				
Commodity supplemental food and warehouse program	\$ 3,587,935	\$ -	\$ 3,587,935	\$ 3,672,425
Head Start program	798,198		798,198	794,290
Other programs	871,175	76,927	948,102	921,161
	5,257,308	76,927	5,334,235	5,387,876
Contributions	1,197,246	223,644	1,420,890	1,460,694
Investment income	384,348		384,348	290,723
Net unrealized (loss) gain on investments	(221,905)		(221,905)	85,642
Rent	55,722		55,722	40,816
Other	82,621		82,621	92,789
Net assets released from restrictions	520,435	(520,435)	-	-
Total revenue	<u>7,275,775</u>	<u>(219,864)</u>	<u>7,055,911</u>	<u>7,358,540</u>
EXPENSES:				
Program services	6,992,816		6,992,816	6,729,062
Fund raising	141,508		141,508	149,731
Depreciation expense	102,768		102,768	102,224
Total expenses	<u>7,237,092</u>	<u>-</u>	<u>7,237,092</u>	<u>6,981,017</u>
CHANGE IN NET ASSETS	38,683	(219,864)	(181,181)	377,523
BEGINNING NET ASSETS	<u>7,840,121</u>	<u>524,435</u>	<u>8,364,556</u>	<u>7,987,033</u>
ENDING NET ASSETS	<u>\$ 7,878,804</u>	<u>\$ 304,571</u>	<u>\$ 8,183,375</u>	<u>\$ 8,364,556</u>

See notes to financial statements.

PHILMAT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2000, WITH COMPARATIVE TOTALS FOR JUNE 30, 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (181,181)	\$ 377,523
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	102,768	102,224
Net unrealized loss (gain) on investments	221,905	(85,642)
Changes in operating assets and liabilities:		
Grants receivable	10,306	(274,659)
Contributions receivable	111,153	(124,965)
Prepaid expenses	(4,250)	5,286
Due from affiliates	(22,079)	(23,961)
Funds held for affiliates	515,954	9,850
Other liabilities	120,000	1,126
Net cash provided by (used in) operating activities	<u>874,576</u>	<u>(13,218)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in investments	1,039,621	(227,825)
Acquisition of property	<u>(511,782)</u>	<u>(34,413)</u>
Net cash provided by (used in) investing activities	<u>527,839</u>	<u>(262,238)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,402,415	(275,456)
BALANCE AT BEGINNING OF YEAR	<u>505,601</u>	<u>781,057</u>
BALANCE AT END OF YEAR	<u>\$1,908,016</u>	<u>\$ 505,601</u>

See notes to financial statements.

PHILMAT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2000, WITH COMPARATIVE TOTALS FOR JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Department of Health and Human Services provides funds to PHILMAT for the Head Start Program, which provides a full range of services to 238 children in three sites and appropriate support services to participants' families. The services provided include educational, social services, parent involvement, medical, dental, nutrition, and mental health.

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

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

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

Temporarily restricted—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.

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.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Property - Property is carried at purchased cost or appraised values when acquired by donation or gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of the improvements. The estimated useful lives in determining depreciation follow:

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

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

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	\$ 153,287
Less allowance	<u>6,921</u>
Total	<u>\$ 146,366</u>

Contributions receivable are restricted for the following purposes at June 30, 2000:

Future time periods	<u>\$ 146,366</u>
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3. INVESTMENTS

Investments at June 30, 2000 consist of mutual funds with a market value and cost of \$3,821,221 and \$3,188,129, respectively. At June 30, 1999 the mutual funds had a market value and cost of \$5,082,747 and \$4,227,750, respectively.

4. PROPERTY

Property at June 30, 2000 and 1999 is summarized as follows:

	2000	1999
Land	\$ 256,540	\$ 256,540
Buildings and improvements	2,254,506	1,838,923
Equipment and furnishings	254,381	202,345
Vehicles	<u>152,491</u>	<u>108,328</u>
	2,917,918	2,406,136
Accumulated depreciation	<u>(662,349)</u>	<u>(559,581)</u>
Property - net	<u>\$2,255,569</u>	<u>\$1,846,555</u>

5. PENSION PLAN

Substantially all employees are covered by a defined contribution plan, administered by the Archdiocese of New Orleans. Contribution expense to the plan on behalf of the employees for the years ended June 30, 2000 and 1999 approximated \$61,873 and \$74,100, respectively.

6. RELATED PARTY TRANSACTIONS

The Archbishop of New Orleans serves as president of the Roman Catholic Church of the Archdiocese of New Orleans, a Louisiana corporation. He also serves as president of PHILMAT and all other corporations, boards of trustees and separate activities sponsored by, or operated under the auspices of, the Archdiocese of New Orleans.

In the normal course of operations, the Archdiocese of New Orleans has made and will, when necessary, make available to these separate corporations and activities specific assistance in the form of operating subsidies, loans, use of facilities and/or administrative support.

In 2000 and 1999, PHILMAT, Inc. made short-term advances to Second Harvesters Food Bank. As of June 30, 2000 and 1999 amounts outstanding were \$60,000 and \$40,000, respectively, bearing annual interest at 5%.

7. COMMITMENTS

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

8. FUNCTIONAL EXPENSES

Expenses incurred were for the following:

	Program Services	Allocated Management and General	Total	
			2000	1999
Program Services:				
Subsidies to Centers:				
Incarnate Word Center	\$ 103,163	\$ 7,955	\$ 111,118	\$ 61,397
St. John the Baptist Community Center	219,703	16,942	236,645	252,251
St. Louis Community Center	99,384	7,664	107,048	115,444
St. Philip Social Apostolate	110,765	8,541	119,306	106,362
St. Mary of the Angels Social Apostolate	110,760	8,541	119,301	136,856
Our Lady of Lourdes Senior Center	144,036	11,107	155,143	170,794
Commodity Supplemental Food and Warehouse Programs	3,523,545	271,706	3,795,251	3,936,352
Head Start	798,989	61,611	860,600	851,935
Warehouse Food Programs	31,344	2,417	33,761	29,118
Summer Witness	292,995	22,593	315,588	240,066
Total Organization Planning System	3,902	301	4,203	6,173
CDBG Summer Witness Program	112,993	8,713	121,706	89,531
CDBG Adult Literacy Program	24,793	1,912	26,705	27,563
CDBG Senior Enrichment	42,597	3,285	45,882	42,686
Emergency Food and Shelter Campaign for Human Development	39,752	3,065	42,817	38,945
Education Program	1,999	154	2,153	5,309
Daughters of Charity Neighborhood Health Participation	176,160	13,584	189,744	62,449
Child and Adult Care Food Program	135,906	10,480	146,386	147,660
Kid Start/Bounce Back	40,894	3,153	44,047	-
Kid's Café	12,708	980	13,688	-
Unity	231,371	17,841	249,212	240,523
TANF	131,613	10,149	141,762	137,198
CDBG Emergency Shelter Grant	51,070	3,938	55,008	-
Youth Grant	17,288	1,333	18,621	-
Adult/Youth Education Program	23,649	1,824	25,473	21,610
Other	4,756	367	5,123	-
TOTAL PROGRAM SERVICES	\$6,492,193	\$ 500,623	\$6,992,816	\$6,729,062

	<u>Management and General</u>		<u>Fund Raising</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Salaries	\$ 273,945	\$ 254,717	\$ 24,796	\$ 23,509
Payroll taxes	21,171	19,470	1,897	1,894
Staff training and development	13,449	8,228	2,628	1,745
Building maintenance	30,692	28,000	-	-
Supplies	17,401	7,645	7,113	6,495
Fringe benefits	23,301	23,129	3,550	3,344
Communications	4,467	3,675	40,802	39,232
Transportation	1,237	1,263	-	-
Professional services	17,705	19,281	-	135
Other	18,349	14,227	34,472	40,308
Special projects	11,742	12,413	-	-
Functions	-	-	20,607	23,276
Computer expense	4,996	1,974	5,777	8,081
Copier expense	2,625	1,686	(134)	1,712
Investment fees	25,175	28,873	-	-
Write-offs	6,299	41,360	-	-
Program development	28,069	-	-	-
	<u>500,623</u>	<u>465,941</u>	<u>141,508</u>	<u>149,731</u>
Allocation to program services and fund raising	<u>(500,623)</u>	<u>(465,941)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,508</u>	<u>\$ 149,731</u>

PHILMAT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2000

	Federal CFDA#	Identifiable Federal Expenditures
U.S. Department of Agriculture passed through the State of Louisiana Department of Health and Hospitals - Commodity Supplemental Food and Warehouse Program	10.565	\$3,523,545
U.S. Department of Health and Human Services passed through Total Community Action - <i>Head Start Program</i>	93.600	798,989
Passed through local agencies: Department of Agriculture - Child and Adult Care Food Program	10.558	135,906
Passed through local agencies: Department of Education - Adult/Youth Education Program	84.002	23,649
Federal Emergency Management Agency - Emergency Food and Shelter National Board Program	83.523	6,058
U.S. Department of Housing and Urban Development passed through the City of New Orleans - Community Development Block Grants:		
- Summer Witness Program	14.219	112,993
- Adult Literacy Program	14.218	24,793
- Senior Enrichment Program	14.218	42,597
- Emergency Shelter Grant	14.231	51,070
State of Louisiana, Department of Social Services, Office of Family Support: - Family Independence Work Program (TANF)	93.558	131,613
Unity:		
- Supportive Housing	14.235	231,371
- Kid Start/Bounce Back	14.235	<u>19,715</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$5,102,299</u>

PHILMAT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2000

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 238 children in three sites and appropriate support services to participants families. The services provided include educational, social services, parent involvement, medical, dental, nutrition, and mental health.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

We have audited the financial statements of PHILMAT, Inc. ("PHILMAT"), as of and for the year ended June 30, 2000, and have issued our report thereon dated November 22, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether PHILMAT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered PHILMAT's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DeBartolo & Jorche LLP

November 22, 2000

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

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

Compliance

We have audited the compliance of PHILMAT, Inc. ("PHILMAT"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. PHILMAT's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of PHILMAT's management. Our responsibility is to express an opinion on PHILMAT's compliance based on our audit.

We conducted our audit 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PHILMAT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provided a reasonable basis for our opinion. Our audit does not provide a legal determination on PHILMAT's compliance with those requirements.

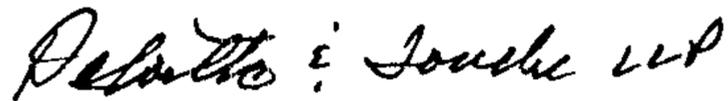
In our opinion, PHILMAT complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Item #00-1.

Internal Control Over Compliance

The management of PHILMAT is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered PHILMAT's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 22, 2000

PHILMAT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2000

PART I - SUMMARY OF THE AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. The statement that reportable conditions in internal control over compliance with requirements applicable to major federal award programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed a finding which was required to be reported by OMB Circular A-133.
7. Major programs for the fiscal year ended June 30, 2000 were:
 1. U.S. Department of Agriculture passed through the State of Louisiana Department of Health and Hospitals Commodity Supplemental Food and Warehouse Program (CFDA #10.565)
 2. U.S. Department of Health and Human Services passed through Total Community Action Head Start Program (CFDA #93.600)
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The auditee did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II - FINANCIAL STATEMENTS FINDINGS SECTION

There were no findings related to the financial statements for the year ended June 30, 2000.

PART III - FEDERAL AWARDS FINDINGS AND QUESTIONED COST SECTION

Finding #00-1: Participant Recertification

Federal Program Information:

U.S. Department of Agriculture passed through the State of Louisiana-Commodity Supplement Food and Warehouse Program (CFDA #10.565)

Condition:

Of the five participants selected for recertification testing at the Jackson Avenue distribution site, three participants did not have evidence of recertification.

Criteria:

PHILMAT is required by the grant document to maintain accurate and complete records with respect to, among other items, certification and recertification of participants.

Effect:

PHILMAT did not have evidence of recertification for certain participants.

Cause:

Management had identified computer conversion and a lack of supervision on the part of the location supervisor as the cause for lack of recertification documentation.

Recommendation:

We recommend PHILMAT adhere to its procedures and policies related to recertification of participants.

Management's Response:

Food for Families/Food for Seniors was starting a new Y2K compatible computer program during this time period. This process required significant review and cross checking between this new computer program, our old computer program and manual reports. Invoices were not filed and stored in as timely a manner as expected during this process. These invoices apparently were never filed and can't be located. We can generate a computer listing showing when any one of these individuals with the invoice missing was served and what food they received.

In addition, the individual supervisor of the Jackson Avenue site is no longer employed with this company. We have reviewed our procedures for the filing and storage of invoices and believe those procedures are adequate. We have discussed this situation with our two staff coordinators and requested that all site visits involve checking to insure invoices are in properly labeled binders and binders are stored in proper-labeled storage boxes. One staff coordinator is expected to monitor the storage area at our warehouse to ensure records arrive there in a timely fashion. We must be more vigilant to ensure our procedures concerning this issue are consistently followed. This effort is currently underway.

PHILMAT, INC.

**STATUS OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2000**

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