

# PHILMAT, INC.

**Financial Statements for the Year Ended  
June 30, 2001 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 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 12/26/01

# PHILMAT, INC.

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of PHILMAT, Inc. ("PHILMAT") as of June 30, 2001, 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 2000 financial statements and, in our report dated November 22, 2000, 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, 2001, 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 19, 2001, 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.

*Deloitte & Touche LLP*

November 19, 2001

Deloitte  
Touche  
Tohmatsu

# PHILMAT, INC.

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2001, WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

<b>ASSETS</b>	<b>2001</b>	<b>2000</b>
Cash	\$ 37,860	\$ 57,240
Money market accounts:		
General account	310,862	1,190,213
Archbishop's community appeal	51,731	660,563
Total cash and cash equivalents	<u>400,453</u>	<u>1,908,016</u>
Grants receivable	1,522,070	967,778
Contributions receivable, net of allowance of \$6,921 in 2001 and 2000	159,518	146,366
Prepaid expenses	-	4,250
Investments	3,812,269	3,821,221
Property - net	2,446,637	2,255,569
Due from affiliates	<u>112,449</u>	<u>62,079</u>
<b>TOTAL ASSETS</b>	<b><u>\$8,453,396</u></b>	<b><u>\$9,165,279</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Funds held for others	\$ 62,351	\$ 784,653
Other liabilities	<u>229,955</u>	<u>197,251</u>
Total liabilities	<u>292,306</u>	<u>981,904</u>
Net Assets:		
Unrestricted	7,994,127	7,878,804
Temporarily restricted	<u>166,963</u>	<u>304,571</u>
Total net assets	<u>8,161,090</u>	<u>8,183,375</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$8,453,396</u></b>	<b><u>\$9,165,279</u></b>

See notes to financial statements.

# PHILMAT, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2001, WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	Unrestricted	Temporarily Restricted	Total	
			2001	2000
<b>REVENUE:</b>				
Grant Revenue:				
Commodity supplemental food and warehouse program	\$3,519,193	\$ -	\$3,519,193	\$3,587,935
Head Start program	932,496		932,496	798,198
Other programs	<u>1,035,877</u>		<u>1,035,877</u>	<u>948,102</u>
	5,487,566	-	5,487,566	5,334,235
Contributions	1,640,877	162,963	1,803,840	1,420,890
Investment income	399,558		399,558	384,348
Net unrealized loss on investments	(326,635)		(326,635)	(221,905)
Rent	43,449		43,449	55,722
Gain on sale of property	161,011		161,011	-
Other	74,597		74,597	82,621
Net assets released from restrictions	<u>300,571</u>	<u>(300,571)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,780,994</u>	<u>(137,608)</u>	<u>7,643,386</u>	<u>7,055,911</u>
<b>EXPENSES:</b>				
Program services	7,252,132		7,252,132	6,992,816
Fund raising	256,043		256,043	141,508
Depreciation expense	142,261		142,261	102,768
Contribution expense	<u>15,235</u>		<u>15,235</u>	<u>-</u>
Total expenses	<u>7,665,671</u>	<u>-</u>	<u>7,665,671</u>	<u>7,237,092</u>
CHANGE IN NET ASSETS	115,323	(137,608)	(22,285)	(181,181)
BEGINNING NET ASSETS	<u>7,878,804</u>	<u>304,571</u>	<u>8,183,375</u>	<u>8,364,556</u>
ENDING NET ASSETS	<u>\$7,994,127</u>	<u>\$ 166,963</u>	<u>\$8,161,090</u>	<u>\$8,183,375</u>

See notes to financial statements.

# PHILMAT, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2001, WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (22,285)	\$ (181,181)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	142,261	102,768
Gain on sale of property	(161,011)	-
Net unrealized loss on investments	326,635	221,905
Changes in operating assets and liabilities:		
Grants receivable	(554,292)	10,306
Contributions receivable	(13,152)	111,153
Prepaid expenses	4,250	(4,250)
Due from affiliates	(50,370)	(22,079)
Funds held for others	(722,302)	515,954
Other liabilities	32,704	120,000
Net cash (used in) provided by operating activities	<u>(1,017,562)</u>	<u>874,576</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) decrease in investments	(317,683)	1,039,621
Acquisition of property	(630,685)	(511,782)
Proceeds from sale of property	<u>458,367</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(490,001)</u>	<u>527,839</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,507,563)</b>	<b>1,402,415</b>
<b>BALANCE AT BEGINNING OF YEAR</b>	<u>1,908,016</u>	<u>505,601</u>
<b>BALANCE AT END OF YEAR</b>	<u>\$ 400,453</u>	<u>\$ 1,908,016</u>

See notes to financial statements.

# PHILMAT, INC.

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001, WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

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

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

The Department of Health and Human Services provides funds to PHILMAT for the Head Start Program, which provides a full range of services to 221 children in three sites and appropriate support services to participants' families. The services provided include educational, social services, parent involvement, medical, dental, nutrition, and mental health.

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

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

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

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. Leaschold 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	\$ 166,439
Less allowance	<u>(6,921)</u>
Total	<u>\$ 159,518</u>

Contributions receivable are restricted for the following purposes at June 30, 2001:

Future time periods	<u>\$ 159,518</u>
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## 3. INVESTMENTS

Investments of the various agencies of the Archdiocese have been pooled to maximize the return on the investments. The amount recorded in the statement of financial position represents PHILMAT's share of the pool.

Investments at June 30, 2001 had a market value and cost of \$3,812,269 and \$3,505,812, respectively. At June 30, 2000 the investments had a market value and cost of \$3,821,221 and \$3,188,129, respectively.

#### 4. PROPERTY

Property at June 30, 2001 and 2000 is summarized as follows:

	2001	2000
Land	\$ 202,540	\$ 256,540
Buildings and improvements	2,300,239	2,254,506
Equipment and furnishings	433,729	254,381
Vehicles	246,858	152,491
	<u>3,183,366</u>	<u>2,917,918</u>
Accumulated depreciation	<u>(736,729)</u>	<u>(662,349)</u>
Property - net	<u>\$2,446,637</u>	<u>\$2,255,569</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, 2001 and 2000 approximated \$70,773 and \$61,873, 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, PHILMAT, Inc. made short-term advances to Second Harvesters Food Bank. As of June 30, 2001 and 2000 amounts outstanding were \$43,197 and \$60,000, respectively, bearing annual interest of 5%.

In 2001, PHILMAT, Inc. made short-term advance to Food for Families. As of June 30, 2001, the amount outstanding was \$69,252, bearing annual interest of 9%.

#### 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 adverse 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	
			2001	2000
<b>Program Services:</b>				
<b>Subsidies to Centers:</b>				
Incarnate Word Center	\$ 125,736	\$ 9,449	\$ 135,185	\$ 111,118
St. John the Baptist Community Center	136,657	10,270	146,927	236,645
St. Louis Community Center	86,969	6,536	93,505	107,048
St. Philip Social Apostolate	114,706	8,620	123,326	119,306
St. Mary of the Angels Social Apostolate	116,245	8,736	124,981	119,301
Our Lady of Lourdes Senior Center	130,126	9,779	139,905	155,143
Commodity Supplemental Food and Warehouse Programs	3,441,247	258,614	3,699,861	3,795,251
Head Start	912,150	68,549	980,699	860,600
Warehouse Food Programs	2,822	212	3,034	33,761
Summer Witness	329,356	24,752	354,108	315,588
Summer Witness - Pool Repairs	258,662	19,439	278,101	-
Total Organization Planning System	8,437	634	9,071	4,203
CDBG Summer Witness Program	119,990	9,017	129,007	121,706
CDBG Adult Literacy Program	22,049	1,657	23,706	26,705
CDBG Senior Enrichment	28,807	2,165	30,972	45,882
Emergency Food and Shelter Campaign for Human Development	42,721	3,211	45,932	42,817
Education Program	9,175	690	9,865	2,153
Daughters of Charity Neighborhood Health Participation	143,096	10,754	153,850	189,744
Child and Adult Care Food Program	153,140	11,509	164,649	146,386
Kid Start/Bounce Back	16,705	1,255	17,960	44,047
Kid's Café	43,604	3,277	46,881	13,688
Unity	258,098	19,396	277,494	249,212
TANF	121,754	9,150	130,904	141,762
CDBG Emergency Shelter Grant	61,242	4,602	65,844	55,008
Youth Grant	10,151	763	10,914	18,621
Adult/Youth Education Program	27,035	2,032	29,067	25,473
Pace	9,473	712	10,185	-
Other	4,393	329	4,722	5,123
<b>TOTAL PROGRAM SERVICES</b>	<b><u>\$6,745,221</u></b>	<b><u>\$ 506,911</u></b>	<b><u>\$7,252,132</u></b>	<b><u>\$6,992,816</u></b>

	<u>Management and General</u>		<u>Fund Raising</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Salaries	\$ 233,319	\$ 273,945	\$ 100,181	\$ 24,796
Payroll taxes	10,249	21,171	8,978	1,897
Staff training and development	4,626	13,449	10,068	2,628
Building maintenance	36,362	30,692	-	-
Supplies	15,197	17,401	7,658	7,113
Fringe benefits	12,576	23,301	14,373	3,550
Communications	6,400	4,467	39,216	40,802
Transportation	1,650	1,237	-	-
Professional services	9,928	17,705	278	-
Other	19,037	18,349	45,471	34,472
Special projects	12,569	11,742	-	-
Functions	-	-	22,790	20,607
Computer expense	691	4,996	6,928	5,777
Copier expense	633	2,625	102	(134)
Program development	71,702	28,069	-	-
Investment fees	17,423	25,175	-	-
Write-offs	3,914	6,299	-	-
Job development	3,976	-	-	-
Accounting	46,659	-	-	-
	<u>506,911</u>	<u>500,623</u>	<u>256,043</u>	<u>141,508</u>
Allocation to program services and fund raising	<u>(506,911)</u>	<u>(500,623)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,043</u>	<u>\$ 141,508</u>

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# PHILMAT, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

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	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	\$3,441,247
U.S. Department of Health and Human Services passed through Total Community Action - Head Start Program	93.600	937,922
Passed through local agencies: Department of Agriculture - Child and Adult Care Food Program	10.558	153,140
Passed through local agencies: Department of Education - Adult/Youth Education Program	84.002	27,035
Federal Emergency Management Agency - Emergency Food and Shelter National Board Program	83.523	10,675
U.S. Department of Housing and Urban Development passed through the City of New Orleans - Community Development Block Grants:		
- Summer Witness Program	14.219	119,990
- Adult Literacy Program	14.218	22,049
- Senior Enrichment Program	14.218	28,807
- Emergency Shelter Grant	14.231	61,242
State of Louisiana, Department of Social Services, Office of Family Support: - Family Independence Work Program (TANF)	93.558	121,754
Unity:		
- Supportive Housing	14.235	258,098
- Kid Start/Bounce Back	14.235	<u>16,705</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$5,198,664</u></b>

See notes to schedule of expenditures of federal awards.

# PHILMAT, INC.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

We have audited the financial statements of PHILMAT, Inc. ("PHILMAT"), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 19, 2001. 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.

*Deloitte Touche LLP*

November 19, 2001

**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, 2001. 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, 2001.

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.

*Deloitte & Touche LLP*

November 19, 2001

# PHILMAT, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2001

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### 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 no findings which were required to be reported by OMB Circular A-133.
7. Major programs for the fiscal year ended June 30, 2001 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, 2001.

### PART III - FEDERAL AWARDS FINDINGS AND QUESTIONED COST SECTION

There were no findings related to the federal awards for the year ended June 30, 2001.

# PHILMAT, INC.

## STATUS OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2001

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### 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.

#### Status:

In the current year, we noted no instances similar to this finding.