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Financial Report

***Catholic Charities Archdiocese of New Orleans
and Subsidiaries***

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 each parish.

Release Date 9-13-06

TABLE OF CONTENTS

Catholic Charities Archdiocese of New Orleans and Subsidiaries New Orleans, Louisiana

June 30, 2005

	<u>Exhibits</u>	<u>Page Numbers</u>
Independent Auditor's Report		1- 2
Financial Section		
Consolidated Statement of Financial Position	A	3
Consolidated Statement of Activities	B	4
Consolidated Statement of Functional Expenses	C	5
Consolidated Statement of Cash Flows	D	6
Notes to Consolidated Financial Statements	E	7 - 21
	<u>Schedules</u>	
Supplementary Financial Information		
Consolidating Statements of Financial Position	1	22
Consolidating Statement of Activities (2005)	2	23
Consolidating Statement of Activities (2004)	3	24
Consolidating Statement of Functional Expenses	4	25 - 26
Consolidating Schedule of Activities by Program Services	5	27
Consolidated Schedule of Activities by Program Services	6	28
Schedule of Support, Revenue and Expenses Prepared for United Way for the Greater New Orleans Area	7	29



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

Most Reverend Alfred C. Hughes, D.D. and the Board of Directors,
Catholic Charities Archdiocese of New Orleans and Subsidiaries
New Orleans, Louisiana.

We have audited the accompanying consolidated statement of financial position of Catholic Charities Archdiocese of New Orleans (the "Agency") and Subsidiaries (nonprofit organizations) as of June 30, 2005 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of management of the Agency. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived by consolidating the Agency's 2004 financial statements with those of its subsidiaries. In our report dated November 30, 2004, we expressed an unqualified opinion on the Agency's financial statements. In our reports dated November 8, 2004 and April 25, 2005, we expressed unqualified opinions on the financial statements of PHILMAT, Inc. and PACE Greater New Orleans, respectively. The financial statements of Second Harvest Food Bank of Greater New Orleans and Acadiana as of and for the years ended June 30, 2005 and 2004 were audited by other auditors, whose report dated March 13, 2006, expressed an unqualified opinion on those 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities Archdiocese of New Orleans and Subsidiaries as of June 30, 2005, and the changes in their net assets and their cash flows for the year 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 Catholic Charities Archdiocese of New Orleans and Subsidiaries' 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 on 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.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of Catholic Charities Archdiocese of New Orleans and Subsidiaries taken as a whole. The supplemental information contained in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The supplemental information of Catholic Charities Archdiocese of New Orleans (without subsidiaries) in the schedule of support, revenue, and expenses prepared for United Way for the Greater New Orleans Area (Schedule 7) is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements of the Agency. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on it.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
January 20, 2006.

FINANCIAL SECTION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**Catholic Charities Archdiocese of New Orleans and Subsidiaries**
New Orleans, LouisianaJune 30, 2005
(with comparative totals for 2004)**ASSETS**

	<u>2005</u>	<u>2004</u>
Cash	\$ 923,739	\$ 1,132,372
Program accounts receivable	5,380,504	5,070,952
Unconditional promises to give:		
Pledges	2,690,355	2,794,539
United Way Greater New Orleans	402,244	1,170,013
Other receivables	33,956	647
Prepaid expenses and deferred charges	138,409	297,624
Investments	11,144,083	9,977,051
Property and equipment - net	15,692,935	13,649,827
Undistributed food on hand	1,788,335	1,267,801
	<u>\$ 38,194,560</u>	<u>\$ 35,360,826</u>
Total assets		

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 2,882,833	\$ 2,919,274
Deferred revenue	38,592	33,818
Unemployment reserve	199,978	-
Accrual for uninsured claim	395,000	-
Loans payable	1,867,123	2,010,200
Funds held for others	131,326	130,035
	<u>5,514,852</u>	<u>5,093,327</u>
Total liabilities		

Net assets:

Unrestricted	22,024,415	19,886,545
Temporarily restricted	8,590,167	9,164,272
Permanently restricted	2,065,126	1,216,682
	<u>32,679,708</u>	<u>30,267,499</u>
Total net assets		
	<u>\$ 38,194,560</u>	<u>\$ 35,360,826</u>
Total liabilities and net assets		

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES**Catholic Charities Archdiocese of New Orleans and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2005
(with comparative totals for 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
Revenues					
Public support:					
Contributions	\$ 4,830,980	\$ 520,222	\$ 803,342	\$ 6,154,544	\$ 6,599,783
Contributed goods and services	15,741,038			15,741,038	13,086,164
Contributed by associated organizations				-	600,000
United Way					
Greater New Orleans:					
Allocations		396,738		396,738	1,181,613
Designations	204,720			204,720	130,767
Combined Federal Campaign	92,476			92,476	134,887
St. Charles Parish:					
Allocations	180,799			180,799	136,000
St. John Parish:					
Allocations	59,582			59,582	53,000
Special events (net of direct costs)	289,139	9,825		298,964	83,370
Total public support	<u>21,398,734</u>	<u>926,785</u>	<u>803,342</u>	<u>23,128,861</u>	<u>22,005,584</u>
Governmental financial assistance:					
Federal	22,871,449			22,871,449	21,301,119
Other governmental agencies	7,691,776			7,691,776	8,037,224
Total governmental financial assistance	<u>30,563,225</u>	<u>-</u>	<u>-</u>	<u>30,563,225</u>	<u>29,338,343</u>
Other Revenue:					
Program service fees	3,871,585			3,871,585	2,668,391
Rent	72,288			72,288	95,450
Miscellaneous	246,998			246,998	372,255
Net assets released from restrictions - operations	1,500,890	(1,500,890)		-	-
Total other revenue	<u>5,691,761</u>	<u>(1,500,890)</u>	<u>-</u>	<u>4,190,871</u>	<u>3,136,096</u>
Total revenue	<u>57,653,720</u>	<u>(574,105)</u>	<u>803,342</u>	<u>57,882,957</u>	<u>54,480,023</u>
Expenses					
Program services	52,842,124			52,842,124	48,826,350
Management and general	2,477,153			2,477,153	1,921,266
Fundraising	910,785			910,785	683,925
Total expenses	<u>56,230,062</u>	<u>-</u>	<u>-</u>	<u>56,230,062</u>	<u>51,431,541</u>
Change in Net Assets before Investment Income	1,423,658	(574,105)	803,342	1,652,895	3,048,482
Investment income	714,212		45,102	759,314	1,553,565
Change in Net Assets	2,137,870	(574,105)	848,444	2,412,209	4,602,047
Net Assets					
Beginning of year	19,886,545	9,164,272	1,216,682	30,267,499	25,665,452
End of year	<u>\$ 22,024,415</u>	<u>\$ 8,590,167</u>	<u>\$ 2,065,126</u>	<u>\$ 32,679,708</u>	<u>\$ 30,267,499</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**Catholic Charities Archdiocese of New Orleans and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2005
(with comparative totals for 2004)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
Salaries	\$ 18,057,888	\$ 1,192,336	\$ 257,832	\$ 19,508,056	\$ 17,242,152
Employee benefits	1,956,471	165,258	25,370	2,147,099	2,113,175
Payroll taxes	1,278,800	80,311	13,643	1,372,755	1,133,037
Total salaries and related expenses	21,293,159	1,437,906	296,845	23,027,910	20,488,364
Professional fees and contract services	3,024,906	298,631	451,462	3,774,999	3,363,270
Supplies	1,486,835	79,738	94,240	1,660,814	1,650,463
Equipment expense	490,340	63,033	3,455	556,828	440,304
Occupancy	2,484,213	278,198	13,501	2,775,913	2,658,972
Travel and transportation	938,065	12,837	2,600	953,502	955,848
Personnel recruitment and development	245,244	52,971	6,496	304,711	128,147
Insurance	875,521	21,313	1,473	898,307	515,203
Food	17,183,063	-	-	17,183,063	16,151,660
Contributed goods and services	2,336,199	-	-	2,336,199	1,778,180
Miscellaneous	187,883	30,316	37,878	256,077	163,648
Specific assistance to individuals	1,208,778	-	-	1,208,778	1,900,723
Interest	12,063	67,906	-	79,969	62,857
Depreciation	1,075,855	134,303	2,834	1,212,992	1,173,902
Total expenses	\$ 52,842,124	\$ 2,477,153	\$ 910,785	\$ 56,230,062	\$ 51,431,541

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS**Catholic Charities Archdiocese of New Orleans and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2005
(with comparative totals for 2004)

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 2,412,209	\$ 4,602,047
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,213,516	1,211,460
(Gain) loss on investments, net	(516,583)	(1,317,649)
Loss on disposal of property	-	60,038
Noncash contributions	-	(540,128)
Change in assets and liabilities:		
Accounts receivable	529,092	(2,568,633)
Prepaid expenses and deferred charges	159,215	(278,273)
Undistributed food on hand	(520,534)	583,232
Accounts payable and accrued expenses	558,537	567,275
Deferred revenue	4,774	(314,864)
Funds held for the accounts of others	1,291	6,488
Net cash provided by operating activities	<u>3,841,517</u>	<u>2,010,993</u>
Cash Flows From Investing Activities		
Proceeds from sale of assets	-	8,550
Net investment activity	(650,449)	(312,457)
Purchases of property and equipment	<u>(3,256,624)</u>	<u>(2,133,465)</u>
Net cash used in investing activities	<u>(3,907,073)</u>	<u>(2,437,372)</u>
Cash Flows From Financing Activities		
Net borrowing (payments) under line of credit agreement	(122,000)	554,000
Repayment of loans payable	(21,077)	(21,412)
Capital contributions	-	76,661
Net cash provided by (used in) financing activities	<u>(143,077)</u>	<u>609,249</u>
Net Increase (Decrease) in Cash	(208,633)	182,870
Cash		
Beginning of year	<u>1,132,372</u>	<u>949,502</u>
End of year	<u>\$ 923,739</u>	<u>\$ 1,132,372</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest expense	<u>\$ 79,408</u>	<u>\$ 62,857</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Catholic Charities Archdiocese of New Orleans and Subsidiaries
New Orleans, Louisiana**

June 30, 2005

Note 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Catholic Charities Archdiocese of New Orleans (the "Agency"), a not-for-profit charitable organization of the Roman Catholic Church of the Archdiocese of New Orleans (the "Archdiocese"), operates health and community-based programs and provides administrative support and financial management services to separately operated charitable programs which it sponsors. The accompanying financial statements include the accounts of all charitable programs which it operates or sponsors.

During the year ended June 30, 2005, several organizational changes took place involving the Agency and ownership and control of similar health and community based agencies previously sponsored by the Archdiocese. More specifically, ownership and control of PHILMAT, Inc., PACE Greater New Orleans, and Second Harvest Food Bank of Greater New Orleans and Acadiana were transitioned to the Agency.

PHILMAT, Inc. ("PHILMAT") was organized to provide health and community services to individuals within Louisiana. PHILMAT acts as local agent for the commodity supplemental food and warehouse program, Food for Families/Food for Seniors. Under this program, food provided by the United States Department of Agriculture (U.S.D.A.) is distributed by PHILMAT to eligible women, infants, children, and senior citizens, who are classified as low income and vulnerable to malnutrition.

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 was 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. As of June 30, 2005, PACE has not yet started operations.

Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest") is a certified member of the Second Harvest national network of food banks. Its function is to help relieve the problem of hunger in Louisiana through the distribution of food and related products to qualified charitable institutions.

Note 1 - ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

The financial statements of each of these subsidiaries are included in the consolidated financial statements. All significant inter-organization accounts and transactions have been eliminated.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Income Taxes

The Agency and Subsidiaries are nonprofit corporations organized under the laws of the State of Louisiana. They are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualify as organizations that are not private foundations as defined in Section 509(a) of the code.

b. Basis of Accounting

The consolidated financial statements of the Agency and Subsidiaries 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 authorized 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 resources be maintained permanently, but permits the use of all or part of the income derived.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The value of contributed goods and services has been recorded as support and revenue and expense in the period received provided there is an objective basis for measurement of the value of such goods and services and they are significant and form an integral part of the efforts of the program.

f. Promises to Give

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

g. Functional Expenses

The Agency and Subsidiaries allocate expense on a functional basis among their various programs, management and general, and fundraising.

The costs of administrative support that relate to more than one program have been allocated to the separate programs based on units of service, volume of activity or other equitable basis.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Investments

Investments are stated at market value based on quoted market prices. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities.

i. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considered subsequent collection results and wrote off all year-end balances that were not collected by the time the consolidated financial statements were issued. Accordingly, a valuation allowance was determined to be unnecessary.

j. Deferred Revenue

Deferred revenue related to grants and service fees consists of amounts received in advance which are for programs in the subsequent fiscal year.

k. Undistributed Food and Grocery Products on Hand

Food and grocery products donated to Second Harvest and distributed by it to its beneficiaries and the undistributed food and grocery products on hand are valued at an average wholesale value as determined by a survey conducted by America's Second Harvest. The average wholesale value used for the years ended June 30, 2005 and 2004 was \$1.49 and \$1.50 per pound, respectively.

U.S.D.A. products are valued using commodity prices provided by the Louisiana State Department of Agriculture and Forestry. The average per pound value for U.S.D.A. commodities for the years ended June 30, 2005 and 2004 was \$.48 and \$.40, respectively.

l. Property and Equipment

Property and equipment are carried at cost or when acquired by donation or gift, at appraised values with subsequent additions at cost. Depreciation is provided using the straight-line basis over the estimated useful lives of the depreciable assets. Leasehold improvements are amortized over the estimated useful lives of the improvements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property and Equipment (Continued)

The estimated useful lives used in determining depreciation and amortization follow:

<u>Classification</u>	<u>Lives in Years</u>
Buildings and improvements	20 - 60
Leasehold improvements	10 - 40
Equipment	5
Vehicles	3 - 5

m. Statement of Cash Flows

The Agency and Subsidiaries consider their money market funds to be short-term investments. No assets are considered to be cash equivalents.

Note 3 - PROMISES TO GIVE

Contributions and private grants receivable are included in the consolidated 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:

In less than one year	\$ 954,072
One to five years	2,012,999
More than five years	<u>400,000</u>
	3,367,071
Less unamortized discount	267,551
Less allowance for uncollectible accounts	<u>6,921</u>
Total	<u>\$3,092,599</u>

Note 4 - INVESTMENTS

Investments of the various agencies of the Archdiocese have been pooled to maximize the return on the investments. The amounts recorded in the consolidated statement of financial position represent the Agency and Subsidiaries' share of the pool.

The following summarizes the investment return for the years ended June 30, 2005 and 2004:

	Cost	Market Value	Excess of Market Over Cost
Balance at June 30, 2005	<u>\$8,991,269</u>	<u>\$11,144,083</u>	\$2,152,814
Balance at June 30, 2004	<u>\$8,333,754</u>	<u>\$9,977,051</u>	<u>1,643,297</u>
Unrealized gain on investments			509,517
Realized gain for the year			<u>7,066</u>
			516,583
Interest and dividend income			<u>242,731</u>
Total investment income - June 30, 2005			<u>\$ 759,314</u>
	Cost	Market Value	Excess of Market Over Cost
Balance at June 30, 2004	<u>\$8,333,754</u>	<u>\$9,977,051</u>	\$1,643,297
Balance at June 30, 2003	<u>\$7,956,180</u>	<u>\$8,306,819</u>	<u>350,639</u>
Unrealized gain on investments			1,292,658
Realized gain for the year			<u>24,991</u>
			1,317,649
Interest and dividend income			<u>235,916</u>
Total investment income - June 30, 2004			<u>\$1,553,565</u>

Note 5 - PROPERTY AND EQUIPMENT - NET

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

	<u>2005</u>	<u>2004</u>
Building and improvements	\$16,556,905	\$16,077,487
Leasehold improvements	3,943,505	3,863,806
Equipment	5,459,816	4,905,285
Vehicles	3,126,861	2,809,213
Construction in progress	2,423,195	629,380
Land	<u>1,239,969</u>	<u>1,239,969</u>
	32,750,251	29,525,140
Less accumulated depreciation and amortization	<u>17,057,316</u>	<u>15,875,313</u>
Total property and equipment, net	<u>\$15,692,935</u>	<u>\$13,649,827</u>

Note 6 - LOANS PAYABLE

Loans payable at June 30, 2005 and 2004 are summarized as follows:

	<u>2005</u>	<u>2004</u>
Unsecured demand borrowing, pursuant to a line of credit permitting borrowings up to \$2.5 million, bearing interest at 4.9% at June 30, 2005, due upon demand, issued by the Archdiocese.	\$1,468,000	\$1,590,000
Mortgage notes payable in monthly installments approximating \$2,750, including interest at an annually adjustable rate (ranging from 2.909% to 7.86%); final installments due between December 2013 and July 2015; collateralized by real estate with a net book value approximating \$247,000 and \$259,000 at June 30, 2005 and 2004, respectively.	199,603	220,680

Note 6 - LOANS PAYABLE (Continued)

Loans payable at June 30, 2005 and 2004 are summarized as follows:

	2005	2004
Promissory note to the Archdiocese non-interest bearing, no scheduled repayment.	199,520	199,520
Total loans payable	\$1,867,123	\$2,010,200

Annual principal payments on loans payable for each of the next five years and in total thereafter at June 30, 2005 are as follows:

Year Ending June 30,	Amount
2006	\$1,692,087
2007	25,192
2008	26,555
2009	27,999
2010	29,530
Thereafter	65,760
Total	\$1,867,123

Interest incurred during 2005 and 2004, all of which was charged to operations totaled \$79,408 and \$62,857, respectively.

Note 7 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the Agency and Subsidiaries. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Note 7 - RESTRICTIONS ON ASSETS (Continued)

The following sets forth the composition of temporarily restricted net assets at June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
United Way allocation for subsequent fiscal year	\$ 396,738	\$1,175,013
Restricted for relief services to children	2,763,084	2,777,369
Restricted for renovations of Shirley Benson PACE Center	3,061,555	3,000,856
Restricted for purchases of capital assets	1,298,203	1,042,521
Other restrictions	<u>1,070,587</u>	<u>1,168,513</u>
Totals	<u>\$8,590,167</u>	<u>\$9,164,272</u>

The following temporarily restricted net assets were released during the years ended June 30, 2005 and 2004, due to satisfaction of donor restrictions:

	<u>2005</u>	<u>2004</u>
United Way allocation for subsequent fiscal year	\$1,175,013	\$1,294,017
Restricted for relief services to children	19,576	53,678
Restricted for renovations of Shirley Benson Pace Center	89,301	-
Restricted for purchases of capital assets	105,318	111,738
Other restrictions	<u>111,682</u>	<u>221,935</u>
Totals	<u>\$1,500,890</u>	<u>\$1,681,368</u>

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. During fiscal year ended June 30, 2000, the donor amended the "Agreement to Donate" dated August 26, 1997, which revised the method of distributing the earnings to Second Harvest whereby five percent of the average market value of the investment for the last 12 fiscal quarters will be distributed annually to Second Harvest. All amounts in excess of the five percent distribution will be reinvested as corpus. The amended "Agreement to Donate" also required that the principal balance should never be reduced below \$1,000,000. The composition of permanently restricted net assets at June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Endowment fund – Second Harvest (described above)	\$1,146,603	\$1,101,501
Endowment fund – Catholic Charities Gift of Life	<u>918,523</u>	<u>115,181</u>
Totals	<u>\$2,065,126</u>	<u>\$1,216,682</u>

Note 8 - RETIREMENT PLANS

The Agency and Subsidiaries offer 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 the Agency and Subsidiaries to contribute 3.5% of the participants' salaries. The plan expense also includes an additional 2.0% contribution by the Agency and Subsidiaries 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. The Agency and Subsidiaries contributed approximately \$258,000 and \$304,000, for the years ended June 30, 2005 and 2004, respectively.

Note 9 - PROGRAM SERVICE EXPENSES

Details of program service expenses for the years ended June 30, 2005 and 2004 were as follows:

	2005	2004
Hope Haven	\$ 8,148,928	\$ 9,588,440
Head Start	4,644,546	5,552,657
Second Harvest	18,153,629	17,009,481
Food For Families	4,609,731	4,210,989
Adult Day Health Care	1,027,509	895,817
PACE	495,901	238,137
Padua Pediatrics and Adult	4,552,287	2,690,449
Community Centers and Services	2,707,851	1,847,682
Residential Special Needs	3,826,002	1,833,257
Non-Residential Day Programs	4,675,740	4,959,441
Totals	\$52,842,124	\$48,826,350

Note 10 - RELATED PARTY TRANSACTIONS

The Archbishop of New Orleans, head of the Archdiocese, serves as Co-Chairman of the Agency. He also serves as president of other corporations, boards of trustees, and separate organizations sponsored by or operated under the auspices of the Archdiocese.

Note 10 - RELATED PARTY TRANSACTIONS (Continued)

In the normal course of operations, the Archdiocese has made and, when necessary, would consider making available to the Agency and its affiliated agencies specific assistance in the form of operating subsidies, loans, use of facilities, and administrative support. During the years ended June 30, 2005 and 2004, the Agency and Subsidiaries received no direct operating subsidies from the Archdiocese. Charges for facilities and administrative support are at rates approximating costs.

During 2000, the Archdiocese issued a \$2.5 million line of credit to the Agency. At June 30, 2005, the outstanding balance was \$1,468,000 under this line of credit agreement. The Agency also has a note payable to the Archdiocese for \$199,520 as of June 30, 2005. See Note 6 for further information related to these loans payable.

Note 11 - OPERATING LEASE OBLIGATIONS

The Agency operates a portion of its community social service programs in leased facilities under operating leases expiring at various dates through the fiscal year 2010. The leases are subject to cancellation under certain circumstances, including substantial changes in funding in the Agency's programs. The following is a schedule by year of future minimum rental payments required under those leases and under equipment leases that have initial or remaining lease terms in excess of one year as of June 30, 2005.

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$197,076
2007	28,772
2008	16,023
2009	8,258
2010	<u>12</u>
Total	<u>\$250,141</u>

The rental expense for all operating leases for the year ended June 30, 2005 and 2004 approximated \$930,000 and \$957,000, respectively.

Note 12 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended June 30, 2005 and 2004, \$10,322,625 and \$9,969,936, respectively, of the Agency and Subsidiaries' governmental financial assistance was from the U.S. Department of Health and Human Services and \$9,122,542 and \$8,878,216, respectively, of the Agency and Subsidiaries' governmental financial assistance was from the U.S. Department of Agriculture. Management believes that the Agency and Subsidiaries are in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 13 - RISK MANAGEMENT

The Agency and Subsidiaries are 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 14 - CONTINGENCIES

The Agency and Subsidiaries are party to various litigations and other claims, the outcome of which cannot be presently determined. Although management intends to vigorously defend against such litigations and claims, \$395,000 has been accrued for all matters. Management's opinion is that the outcome of such matters would not have a significant effect on the Agency and Subsidiaries financial position.

Note 15 - CONCENTRATIONS OF CREDIT RISK

As of June 30, 2005, the Agency and Subsidiaries had bank accounts at one financial institution which exceeded the \$100,000 limit insured by the Federal Deposit Insurance Corporation (FDIC) by approximately \$908,000.

Note 16 - NEW ORLEANS COUNCIL ON AGING

The Agency receives grants from the New Orleans Council on Aging for the operations of the Audubon Senior Center and Our Lady of Lourdes Community Center. The activity for these programs appears on Schedule 5, in the columns Community Centers and Services. Revenues for these grants were included in Other Governmental Revenue, as follows:

	June 30,	
	2005	2004
Audubon Senior Center	\$12,750	\$12,750
Our Lady of Lourdes CC	<u>37,485</u>	<u>38,480</u>
Totals	<u>\$50,235</u>	<u>\$51,230</u>

The expenses related to these programs are included in Community Centers and Services in program service expenses. During each year, the program expenses exceeded the grant revenue from the New Orleans Council on Aging.

Note 17 - PHILMAT COMMODITY FOODS ISSUED

PHILMAT receives pass-thru funding from the LDHH to administer and distribute commodity foods issued by the Food For Families/Food For Seniors program. Pass-thru funding received by PHILMAT for their administration and distribution services totaled \$4,757,819 and \$4,397,022, for the years ended June 30, 2005 and 2004, respectively.

Statistical information related to commodity foods issued by the Food For Families/Food For Seniors program during the years ended June 30, 2005 and 2004 is as follows:

	June 30,			
	2005		2004	
	Dollars	Pounds	Dollars	Pounds
Statistical information	<u>\$18,438,562</u>	<u>35,417,499</u>	<u>\$15,853,284</u>	<u>34,804,638</u>

Note 18 - SECOND HARVEST FOOD AND GROCERY PRODUCTS

Second Harvest undistributed food and grocery products at June 30, 2005 and 2004 consist of the following:

	June 30,			
	2005		2004	
	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>
Donated and purchased products	\$1,588,107	1,065,843	\$ 934,129	622,752
U.S.D.A. commodities	<u>200,228</u>	<u>420,593</u>	<u>333,672</u>	<u>832,591</u>
Total	<u>\$1,788,335</u>	<u>1,486,436</u>	<u>\$1,267,801</u>	<u>1,455,343</u>

Second Harvest receipts and distribution of food and grocery products for the years ended June 30, 2005 and 2004 were as follows:

	June 30,			
	2005		2004	
	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>
Receipts:				
Donated products	\$12,637,021	8,481,222	\$10,609,400	7,040,348
U.S.D.A. commodities	3,169,001	6,567,840	3,295,894	7,722,057
K.I.D.S. donations	767,826	13,503	698,584	32,585
Purchased product	<u>275,236</u>	<u>300,304</u>	<u>257,154</u>	<u>355,161</u>
Totals	<u>\$16,849,084</u>	<u>15,362,869</u>	<u>\$14,861,032</u>	<u>15,150,151</u>
Distribution:				
Donated products	\$11,983,043	8,038,131	\$11,332,330	7,460,026
U.S.D.A. commodities	3,302,445	6,979,838	3,156,196	7,290,602
K.I.D.S. donations	767,826	13,503	698,584	32,330
Purchased product	<u>275,236</u>	<u>300,304</u>	<u>257,154</u>	<u>355,161</u>
Totals	<u>\$16,328,550</u>	<u>15,331,776</u>	<u>\$15,444,264</u>	<u>15,138,119</u>

Note 19 - BOARD OF DIRECTORS COMPENSATION

The Agency's board of directors was not compensated for their work on the board during the years ended June 30, 2005 and 2004. All board positions are strictly on a volunteer basis.

Note 20 - SUBSEQUENT EVENT

On August 29, 2005, New Orleans and the surrounding area suffered a natural disaster, Hurricane Katrina. As the hurricane approached, the residential programs of the Agency were forced to evacuate to areas in north and central Louisiana. By October 2005, these programs were able to return to their facilities that suffered minimal damage. Due to flooding in the basement of the corporate offices, the administrative offices were displaced until March 24, 2006. Most non-residential programs reopened as staff returned to the area and offices were able to be reoccupied. Immediately after the storm, the two food programs became an integral part of supplying food to displaced evacuees. As a result both of the food programs have expanded their distribution sites to farther areas within the State of Louisiana.

Of the total 30 plus programs sponsored by the Agency, most programs have been able to reopen in some capacity except for the community centers and several Headstart sites. The hurricane has delayed the opening of the PACE program until a more appropriate time when its business partners are able to return to the area. Although most of the traditional community centers were unable to reopen because of flooding, several new emergency assistance distribution centers were opened to distribute direct assistance to hurricane victims. In November 2005, the Agency was awarded a grant from Catholic Charities USA for humanitarian aid in the amount of \$11.5 million. Of this amount, \$8.2 million is for direct emergency assistance for hurricane victims and the remainder is for reestablishment of Agency programs. In addition, the Agency has opened several new programs since the hurricane. These programs provide counseling and housing services to hurricane victims.

The most significant physical damage to property and equipment owned by the Agency and Subsidiaries was the loss of certain delivery equipment and one food warehouse used by the Food for Families/Food for Seniors program. The Agency and Subsidiaries participate in an insurance program sponsored by the Archdiocese of New Orleans. Most of the damage to structures owned by the Agency was due to wind damage and these losses will be fully covered by insurance. Since the Archdiocese of New Orleans was underinsured for flood coverage, losses to the Agency by flood will be uninsured. The Agency continues to pursue all insurance and FEMA claims for damaged property and clean up costs. Uninsured losses to property are not expected to have a significant effect on the Agency. It is expected that grants and donations will cover losses to property.

Management does not expect the hurricane to have a significant negative impact on the future operations of the Agency and Subsidiaries.

SUPPLEMENTARY FINANCIAL INFORMATION

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

Catholic Charities Archdiocese of New Orleans and Subsidiaries
New Orleans, Louisiana

	June 30, 2005					June 30, 2004				
	Catholic Charities	PHILMAT	PACE	Second Harvest	Totals	Catholic Charities	PHILMAT	PACE	Second Harvest	Totals
ASSETS										
Cash	\$ 819,745	\$ 1,296	\$ 300	\$ 102,398	\$ 923,739	\$ 149,808	\$ 444,884	\$ 300	\$ 537,380	\$ 1,132,372
Program accounts receivable	3,830,613	1,351,829	-	198,062	5,380,504	3,010,461	1,912,089	-	148,402	5,070,952
Unconditional promises to give -										
Pledges	1,050,761	84,658	1,532,449	22,487	2,690,355	34,206	182,010	2,528,638	49,685	2,794,539
United Way Greater New Orleans	366,288	-	-	35,956	402,244	1,079,944	-	-	90,069	1,170,013
Other receivables	22,325	2,013	7,801	1,817	33,956	272	-	-	375	647
Prepaid expenses and deferred charges	46,050	11,186	76,193	4,980	138,409	202,902	14,792	72,889	7,041	297,624
Investments	9,016,361	-	-	2,127,722	11,144,083	3,701,194	4,287,000	-	1,988,857	9,977,051
Property and equipment - net	8,148,243	2,705,109	3,227,973	1,611,610	15,692,935	7,514,385	3,309,199	1,165,860	1,660,383	13,649,827
Undistributed food on hand	-	-	-	1,788,335	1,788,335	-	-	-	1,267,801	1,267,801
Due from affiliate	1,583,002	(1,903,423)	15,517	304,904	-	614,229	(1,045,166)	430,937	-	-
Total assets	\$ 24,883,388	\$ 2,252,668	\$ 4,860,233	\$ 6,198,271	\$ 38,194,560	\$ 16,307,401	\$ 9,104,808	\$ 4,198,624	\$ 5,749,993	\$ 35,360,826

LIABILITIES AND NET ASSETS

Liabilities:										
Accounts payable and accrued expenses	\$ 2,128,786	\$ 444,493	\$ 112,277	\$ 197,277	\$ 2,882,833	\$ 2,026,593	\$ 830,868	\$ 6,908	\$ 54,905	\$ 2,919,274
Deferred revenue	4,505	3,128	-	30,959	38,592	33,818	-	-	-	33,818
Unemployment reserve	199,978	-	-	-	199,978	-	-	-	-	-
Accrual for uninsured claim	395,000	-	-	-	395,000	-	-	-	-	-
Loans payable	1,867,123	-	-	-	1,867,123	2,010,200	-	-	-	2,010,200
Funds held for others	131,326	-	-	-	131,326	130,035	-	-	-	130,035
Total liabilities	4,726,718	447,621	112,277	228,236	5,514,852	4,200,646	830,868	6,908	54,905	5,093,327
Net assets:										
Unrestricted	14,440,746	1,796,410	1,686,401	4,100,858	22,024,415	6,789,326	8,263,576	1,190,860	3,642,783	19,886,545
Temporarily restricted	4,797,401	8,637	3,061,555	722,574	8,590,167	5,202,248	10,364	3,000,856	950,804	9,164,272
Permanently restricted	918,523	-	-	1,146,603	2,065,126	115,181	-	-	1,101,501	1,216,682
Total net assets	20,156,670	1,805,047	4,747,956	5,970,035	32,679,708	12,106,755	8,273,940	4,191,716	5,695,088	30,267,499
Total liabilities and net assets	\$ 24,883,388	\$ 2,252,668	\$ 4,860,233	\$ 6,198,271	\$ 38,194,560	\$ 16,307,401	\$ 9,104,808	\$ 4,198,624	\$ 5,749,993	\$ 35,360,826

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Catholic Charities Archdiocese of New Orleans and Subsidiaries

For the year ended June 30, 2005
(with comparative totals for 2004)

	Catholic Charities				PHILMAT				PACE			
	Program Services	Management and General	Fund-raising	Totals	Program Services	Management and General	Fund-raising	Totals	Program Services	Management and General	Fund-raising	Totals
Salaries	\$ 13,952,418	\$ 820,704	\$ 76,334	\$ 14,849,457	\$ 3,255,180	\$ 204,735	\$ 62,265	\$ 3,522,180	\$ 223,598	\$ 15,313	\$ -	\$ 238,911
Employee benefits	1,412,235	114,025	6,002	1,532,262	421,961	28,445	4,896	455,302	15,575	2,128	-	17,703
Payroll taxes	1,007,918	55,135	3,072	1,066,125	212,994	13,754	2,506	229,254	14,330	1,029	-	15,359
Total salaries and related expenses	16,372,571	989,864	85,409	17,447,843	3,890,135	246,934	69,667	4,206,736	253,503	18,470	-	271,973
Professional fees and contract services	2,289,217	209,273	71,350	2,569,840	460,360	52,206	58,199	570,765	94,900	3,905	-	98,805
Supplies	957,266	58,037	34,651	1,049,954	347,973	14,478	28,265	390,716	26,832	1,083	-	27,915
Equipment expense	318,856	45,917	1,772	366,545	106,448	11,455	1,446	119,348	24,375	857	-	25,232
Occupancy	1,828,262	188,277	6,948	2,023,487	477,800	46,968	5,667	530,435	31,228	3,513	-	34,741
Travel and transportation	258,847	8,876	1,181	268,904	359,748	2,214	963	362,926	2,025	166	-	2,191
Personnel recruitment and development	169,121	36,358	2,218	207,697	25,485	9,070	1,809	36,364	30,944	678	-	31,622
Insurance	698,299	15,533	758	714,590	150,213	3,875	618	154,706	4,408	290	-	4,698
Food	852,153	-	-	852,153	1,998	-	-	1,998	362	-	-	362
Contributed goods and services	2,143,357	-	-	2,143,357	192,842	-	-	192,842	-	-	-	-
Miscellaneous	17,215	22,020	19,071	58,305	103,020	5,493	15,556	124,069	15,090	411	-	15,501
Specific assistance to individuals	1,003,103	-	-	1,003,103	205,601	-	-	205,601	74	-	-	74
Interest	12,063	49,502	-	61,565	-	-	-	61,565	-	-	-	61,565
Depreciation	655,178	83,299	386	738,863	295,463	20,780	314	316,558	12,160	1,554	-	13,714
Total expenses	\$ 27,575,508	\$ 1,706,956	\$ 223,744	\$ 29,506,208	\$ 6,617,086	\$ 425,822	\$ 182,505	\$ 7,225,413	\$ 495,901	\$ 31,850	\$ -	\$ 527,751

**Schedule 4
(Continued)**

	Second Harvest				2005 Consolidated Totals			2004
	Program Services	Management and General	Fund-raising	Totals	Program Services	Management and General	Fund-raising	Consolidated Totals
Salaries	\$ 626,692	\$ 151,583	\$ 119,233	\$ 897,508	\$ 18,057,888	\$ 1,192,336	\$ 257,832	\$ 19,508,056
Employee benefits	106,700	20,661	14,472	141,833	1,956,471	165,258	25,370	2,147,099
Payroll taxes	43,558	10,394	8,065	62,017	1,278,800	80,311	13,643	1,372,755
Total salaries and related expenses	776,950	182,638	141,770	1,101,358	21,293,159	1,437,906	296,845	23,027,910
Professional fees and contract services	180,429	33,248	321,912	535,589	3,024,906	298,631	451,462	3,774,999
Supplies	154,764	6,141	31,324	192,229	1,486,835	79,738	94,240	1,660,814
Equipment expense	40,661	4,805	237	45,703	490,340	63,033	3,455	556,828
Occupancy	146,923	39,440	886	187,249	2,484,213	278,198	13,501	2,775,913
Travel and transportation	317,445	1,581	455	319,481	938,065	12,837	2,600	953,502
Personnel recruitment and development	19,694	6,864	2,469	29,027	245,244	52,971	6,496	304,711
Insurance	22,601	1,615	97	24,313	875,521	21,313	1,473	898,307
Food	16,328,550			16,328,550	17,183,063			17,183,063
Contributed goods and services					2,336,199			2,336,199
Miscellaneous	52,558	2,392	3,252	58,202	187,883	30,316	37,878	256,077
Specific assistance to individuals					1,208,778			1,208,778
Interest		5,132		5,132	12,063	67,906		79,969
Depreciation	113,054	28,669	2,134	143,857	1,075,855	134,303	2,834	1,212,992
Total expenses	\$ 18,153,629	\$ 312,525	\$ 504,536	\$ 18,970,690	\$ 52,842,124	\$ 2,477,153	\$ 910,785	\$ 56,230,062
								\$ 51,431,541

CONSOLIDATING SCHEDULE OF ACTIVITIES BY PROGRAM SERVICES

Catholic Charities Archdiocese of New Orleans and Subsidiaries
New Orleans, Louisiana

For the year ended June 30, 2005

	Catholic Charities Archdiocese of New Orleans					PHILMAT, Inc.		2005 Consolidated Totals					
	Hope Heaven	Adult Day Health Care	Padua Pediatrics and Adult	Community Centers and Services	Residential Special Needs	Non-Residential Day Programs	Totals		Food for Families	Community Centers and Services	Totals	PACE	Second Harvest
Revenues													
Public support:													
Contributions	\$ 210,606	\$ 4,693	\$ 23,089	\$ 48,743	\$ 44,380	\$ 325,936	\$ 663,300	\$ 2,220	\$ 524,888	\$ 527,108	\$ 195,411	\$ 888,664	\$ 2,274,483
Contributions - undesignated	493,204	131,342	173,991	93,246	152,609	265,006	1,309,398	289,364	778,709	1,068,073	-	179,026	2,556,497
Contributed goods and services	919,851	569,499	97,566	96,153	167,042	238,970	2,143,350	-	192,841	192,841	-	13,404,847	15,741,038
Contributed by associated organizations													
United Way													
Greater New Orleans:													
Allocations	27,368	7,294	9,655	5,170	8,468	14,736	72,691	16,052	52,921	68,973	-	63,056	204,720
Designations	8,470	2,257	2,988	1,600	2,621	4,546	22,482	4,968	13,368	18,336	-	51,658	92,476
Combined Federal Campaign													
St. Charles Parish:													
Allocations						180,799	180,799						180,799
St. John Parish:													
Allocations	60,369	2,000	10,000	2,070	3,625	56,000	186,671		3,582	3,582		99,411	59,582
Special events (net of direct costs)						73,937	73,937		3,057	3,057			289,139
Total public support	1,719,868	718,245	317,289	246,982	378,745	1,159,930	4,634,691	312,604	1,569,366	1,881,970	195,411	14,686,662	21,398,734
Governmental financial assistance:													
Federal	4,478,581	64,210	44,114	32,098	2,664,414	1,923,924	13,225,408	4,757,819	479,977	5,237,796	705,808	3,702,437	22,871,449
Other governmental agencies	2,532,906		4,426,384	14,688	602,961	35,157	7,612,096		46,908	46,908	32,772		7,691,776
Total governmental financial assistance	7,011,487	64,210	4,470,498	46,786	3,267,375	1,959,081	20,837,504	4,757,819	526,885	5,284,704	738,580	3,702,437	30,563,225
Other revenue:													
Program service fees	30,442	920,470	183,337	178,449	273,224	1,500,915	3,061,982	16,993	155,636	172,629	-	636,974	3,871,585
Rent	35,622		9,913	8,129	8,129	234	53,898		18,390	18,390			72,288
Miscellaneous	19,183	9,965	6,144	2,214	11,773	1,773	184,384	24,765	19,937	44,702		17,712	246,998
Net assets released from restrictions - operations		268,488	54,442	212,724	182,964	331,609	1,145,891		7,018	7,018	89,301	258,680	1,500,890
Total other revenue	85,247	287,534	253,836	393,387	555,721	1,844,531	4,446,355	41,758	200,981	242,739	89,301	913,366	5,691,761
Total revenues	8,816,602	5,023,846	5,041,623	687,155	4,201,841	4,963,542	29,918,550	5,112,181	2,297,232	7,409,413	1,023,292	19,302,465	57,653,720
Expenses													
Salaries	3,903,711	541,632	2,830,504	370,235	1,529,187	2,157,184	13,952,418	2,304,304	950,876	3,255,180	223,598	626,692	18,057,888
Employee benefits	383,603	46,429	276,909	42,636	137,943	224,457	1,412,235	322,922	99,039	421,961	15,575	106,700	1,956,471
Payroll taxes	283,622	187,936	204,380	26,959	111,082	154,333	1,007,918	155,331	57,663	212,994	14,330	43,558	1,278,800
Total salaries and related expenses	4,570,936	3,108,159	3,311,793	439,830	1,778,212	2,535,974	16,372,571	2,782,557	1,107,578	3,890,135	253,503	776,950	21,293,159
Professional fees and contract service payments	311,103	61,388	372,513	30,349	717,702	679,685	2,289,217	384,769	75,591	460,360	94,900	180,429	3,024,906
Supplies	237,534	33,948	132,518	31,016	68,341	308,513	957,266	302,388	45,585	347,973	26,832	154,764	1,486,835
Equipment expense	144,980	24,913	46,691	7,651	35,253	44,712	318,856	91,554	14,894	106,448	24,375	40,661	490,340
Occupancy	621,937	258,292	220,476	38,160	245,686	367,666	1,828,262	329,050	148,750	477,800	31,228	146,923	2,484,213
Travel and transportation	60,227	10,660	81,430	21,109	19,456	51,213	258,847	322,898	36,850	359,748	2,025	317,445	938,065
Personnel recruitment and development	58,081	17,241	20,353	3,936	18,148	47,878	169,121	15,629	9,856	25,485	30,944	19,694	245,244
Insurance	529,421	43,552	52,817	7,124	28,254	30,403	698,299	121,569	28,644	150,213	4,408	22,601	875,521
Food	315,369	107,421	56,631	7,427	87,926	7,427	852,153		1,998	1,998	362	16,328,550	17,183,063
Indirect allocated costs	919,851	54,269	97,569	96,154	167,042	238,970	2,143,357	322,199	192,842	192,842	-	-	2,336,199
Miscellaneous	493,740	287,960	312,204	42,556	218,485	282,543	1,706,956	419	103,623	425,822	31,850	312,525	2,477,153
Specific assistance to individuals	65,354	2,379	348	605	1,769	4,301	17,215		205,601	103,020	15,090	52,558	187,883
Fund-raising allocated	84,277	22,444	51,326	3,716	541,241	338,263	1,003,103	49,445	133,060	205,601	74	-	1,208,778
Interest			29,731	15,933	26,077	45,282	223,744			182,505	-	504,536	910,785
Depreciation	312,086	72,849	88,424	13,419	116,972	25,449	655,178	258,898	36,565	295,463	12,160	113,054	1,075,855
Total expenses	8,726,945	4,954,950	4,894,222	758,985	4,070,564	5,003,565	29,506,208	4,981,375	2,244,038	7,225,413	527,751	18,970,690	56,230,062
Changes in net assets before investment income	89,657	68,896	147,401	(71,830)	131,277	(40,023)	412,342	130,806	53,194	184,000	495,541	331,775	1,423,658
Investment income	270,511	17,664	24,379	12,540	23,384	92,369	441,827	39,404	106,681	146,085	-	126,300	714,212
Changes in net assets	\$ 360,168	\$ 86,560	\$ 171,780	\$ (59,290)	\$ 154,661	\$ 52,346	\$ 854,169	\$ 170,210	\$ 159,875	\$ 330,085	\$ 495,541	\$ 458,075	\$ 2,137,870

CONSOLIDATED SCHEDULE OF ACTIVITIES BY PROGRAM SERVICES

Catholic Charities Archdiocese of New Orleans and Subsidiaries
New Orleans, Louisiana

For the year ended June 30, 2005

	Consolidated Total										2005 Consolidated Totals	
	Hope Haven	Head Start	Second Harvest	Food for Families	Adult Day Health Care	PACE	Padua Pediatrics and Adult	Community Centers and Services	Residential Special Needs	Non-Residential Day Programs		
Revenues												
Public support:												
Contributions	\$ 210,606	\$ 5,853	\$ 888,664	\$ 2,220	\$ 4,693	\$ 195,411	\$ 23,089	\$ 573,631	\$ 44,380	\$ 325,936	\$ 2,274,483	
Contributions - undesignated	493,204	131,342	179,026	289,364			173,991	871,955	152,609	265,006	2,556,497	
Contributed goods and services	919,851	569,499	13,404,847		54,269		97,566	288,994	167,042	238,970	15,741,038	
Contributed by associated organizations												
United Way												
Greater New Orleans:												
Allocations	27,368	7,294	63,056	16,052			9,655	58,091	8,468	14,736	204,720	
Designations	8,470	2,257	51,658	4,968			2,988	14,968	2,621	4,546	92,476	
Combined Federal Campaign												
St. Charles Parish:												
Allocations												
St. John Parish:												
Allocations	60,369	2,000	99,411		34,670		10,000	3,582	3,625	56,000	180,799	
Special events (net of direct costs)	1,719,868	718,245	14,686,662	312,604	93,632	195,411	317,289	1,816,348	378,745	1,159,930	21,398,734	
Total public support	4,478,581	4,018,067	3,702,437	4,757,819	64,210	705,808	44,114	512,075	2,664,414	1,923,924	22,871,449	
Governmental financial assistance:	2,532,906					32,772	4,426,384	61,596	602,961	35,157	7,691,776	
Federal												
Other governmental agencies	7,011,487	4,018,067	3,702,437	4,757,819	64,210	738,580	4,470,498	573,671	3,267,375	1,959,081	30,563,225	
Total governmental financial assistance	30,442	(24,855)	636,974	16,993	920,470		183,337	334,085	273,224	1,500,915	3,871,585	
Other revenue:	35,622	43,901	17,712	24,765	9,965		9,913	18,390	8,129	234	72,288	
Program service fees	19,183	268,488	258,680		95,664	89,301	54,442	219,742	91,404	11,773	246,998	
Rent									182,964	331,609	1,500,890	
Miscellaneous	85,247	287,534	913,366	41,758	1,026,099	89,301	253,836	594,368	555,721	1,844,531	5,691,761	
Net assets released from restrictions - operations	8,816,602	5,023,846	19,302,465	5,112,181	1,183,941	1,023,292	5,041,623	2,984,387	4,201,841	4,963,542	57,653,720	
Total other revenue	3,903,711	2,619,965	626,692	2,304,304	541,632	223,598	2,830,504	1,321,111	1,529,187	2,157,184	18,057,888	
Total revenues	383,603	300,258	106,700	322,922	46,429	15,575	276,909	141,675	137,943	224,457	1,956,471	
Payroll taxes	283,622	187,936	43,558	155,331	39,606	14,330	204,380	84,622	111,082	154,333	1,278,800	
Total salaries and related expenses	4,570,936	3,108,159	776,950	2,782,557	627,667	253,503	3,311,793	1,547,408	1,778,212	2,535,974	21,293,159	
Expenses												
Professional fees and contract service payments	311,103	116,477	180,429	384,769	61,388	94,900	372,513	105,940	717,702	679,685	3,024,906	
Supplies	237,534	145,396	154,764	302,388	33,948	26,832	132,518	76,601	68,341	308,513	1,486,835	
Equipment expense	144,980	24,913	40,661	91,554	14,656	24,375	46,691	22,545	35,253	44,712	490,340	
Occupancy	621,937	258,292	146,923	329,050	76,045	31,228	220,476	186,910	245,686	367,666	2,484,213	
Travel and transportation	60,227	10,660	317,445	322,898	14,752	2,025	81,430	57,959	19,456	51,213	938,065	
Personnel recruitment and development	58,081	17,241	19,694	15,629	3,484	30,944	20,353	13,792	18,148	47,878	245,244	
Insurance	529,421	43,552	22,601	121,569	6,728	4,408	52,817	35,768	28,254	30,403	875,521	
Food	315,369	274,666	16,328,550		107,421	362	56,631	9,425	87,976	2,713	17,183,063	
Contributed goods and services	919,851	569,502	312,525	322,199	54,269	31,850	312,204	288,996	167,042	238,970	2,336,199	
Indirect allocated costs	493,740	287,960	52,558	419	348	15,090	7,683	146,179	218,485	282,543	2,477,153	
Miscellaneous	65,354	2,379	504,536	49,445	824	74	51,326	209,317	1,769	4,301	187,883	
Specific assistance to individuals	84,277	22,444					29,731	148,993	541,241	338,263	1,208,778	
Fund-raising allocated							12,063		26,077	45,282	910,785	
Interest											12,063	
Depreciation	312,086	72,849	113,054	258,898	25,979	12,160	88,424	49,984	116,972	25,449	1,075,855	
Total expenses	8,726,945	4,954,950	18,970,690	4,961,375	1,096,977	527,751	4,894,222	3,003,023	4,070,564	5,003,565	56,230,062	
Changes in net assets before investment income	89,657	68,896	331,775	130,806	86,964	495,541	147,401	(18,636)	131,277	(40,023)	1,423,658	
Investment income	270,511	17,664	126,300	39,404	980		24,379	119,221	23,384	92,369	714,212	
Changes in net assets	\$ 360,168	\$ 86,560	\$ 458,075	\$ 170,210	\$ 87,944	\$ 495,541	\$ 171,780	\$ 100,585	\$ 154,661	\$ 52,346	\$ 2,137,870	

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***Single Audit Under OMB Circular A-133
Supplementary Financial Report***

***Catholic Charities Archdiocese of New Orleans
and Subsidiaries***

June 30, 2005

TABLE OF CONTENTS

Catholic Charities Archdiocese of New Orleans and Subsidiaries New Orleans, Louisiana

June 30, 2005

Page
Numbers

Special Reports of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	3 - 5
Schedule of Expenditures of Federal Awards	6 - 12
Notes to Schedule of Expenditures of Federal Awards	13 - 14
Schedule of Findings and Questioned Costs	15 - 17

Reports By Management

Schedule of Prior Year Audit Findings and Questioned Costs	18 - 19
Management's Corrective Action Plan	20 - 21



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**

Most Reverend Alfred C. Hughes, D.D. and the Board of Directors,
Catholic Charities Archdiocese of New Orleans and Subsidiaries,
New Orleans, Louisiana.

We have audited the financial statements of Catholic Charities Archdiocese of New Orleans (the "Agency") and Subsidiaries (non-profit organizations), 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.

The Agency and Subsidiaries' basic financial statements include the operations of PHILMAT, Inc., PACE Greater New Orleans, and Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"). We did not audit the financial statements of Second Harvest. Those financial statements were audited by other auditors who have issued a separate report on internal control over financial reporting and on compliance and other matters. Our report does not include that entity.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency and Subsidiaries' 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 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 the Agency and Subsidiaries' 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 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, the Legislative Auditor for the State of Louisiana, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
January 20, 2006.



Bourgeois Bennett

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Most Reverend Alfred C. Hughes, D.D. and the Board of Directors,
Catholic Charities Archdiocese of New Orleans and Subsidiaries,
New Orleans, Louisiana.

Compliance

We have audited the compliance of Catholic Charities Archdiocese of New Orleans (the "Agency") and Subsidiaries (non-profit organizations), 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 their major federal programs for the year ended June 30, 2005. The Agency and Subsidiaries' 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 their major federal programs is the responsibility of the Agency and Subsidiaries' management. Our responsibility is to express an opinion on the Agency and Subsidiaries' compliance based on our audit.

The Agency and Subsidiaries' basic financial statements include the operations of PHILMAT, Inc., PACE Greater New Orleans, and Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"). Second Harvest received \$ 3,702,437 in federal awards which is not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2005. Our audit, described below, did not include the operations of Second Harvest because it engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the Agency and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency and Subsidiaries' compliance with those requirements.

In our opinion, the Agency and Subsidiaries, complied in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements which is 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 items 05-1.

Internal Control Over Compliance

The management of the Agency and Subsidiaries 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 the Agency and Subsidiaries' 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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.

Schedule of Federal Financial Assistance

We have audited the basic financial statements of the Agency and Subsidiaries 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 the auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
January 20, 2006.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Catholic Charities Archdiocese of New Orleans and Subsidiaries
New Orleans, Louisiana**

For the year ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures*</u>
U. S. Department of Agriculture		
Pass-through programs from:		
State of Louisiana		
Department of Education		
Division of Nutrition Assistance		
School Breakfast Program		
Child residential care	10.553	<u>157,820</u>
Child and Adult Care Food Program		
Child day care	10.558	449,511
Adult day health care	10.558	64,210
Emergency shelter	10.558	25,808
Domestic violence	10.558	<u>8,883</u>
Total - Child and Adult Care Food Program		<u>548,412</u>
Total - Louisiana Department of Education		<u>706,232</u>
Department of Health and Hospitals		
Office of Public Health		
Commodity Supplemental Food Program	10.565	<u>4,757,819</u>
Total - State of Louisiana		<u>5,464,051</u>
Total - U. S. Department of Agriculture		<u>5,464,051</u>
U.S. Department of Housing and Urban Development		
Direct programs:		
Economic Development Initiatives - Special Projects		
PACE	14.236	497,050
Supportive Housing Program		
Transitional housing	14.235	<u>312,082</u>
Total - direct programs		<u>809,132</u>

(Continued)

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures*</u>
U.S. Department of Housing and Urban Development (Continued)		
Pass-through programs from:		
City of Kenner		
Community Development Block Grants		
Youth drug prevention program	14.218	<u>20,044</u>
City of New Orleans		
Community Development Block Grants		
PACE	14.218	208,758
Youth	14.218	117,962
Social adjustment	14.218	32,098
Adult literacy program	14.218	23,646
Senior enrichment program	14.218	<u>18,907</u>
Total - Community Development Block Grants		<u>401,371</u>
Emergency Shelter Grants Program		
Emergency shelter care	14.231	110,280
Pass-through program from:		
State of Louisiana Department of Social Services		
Emergency Shelter Grants Program		
Domestic violence	14.231	<u>73,369</u>
Total - Emergency Shelter Grants Program		<u>183,649</u>
Housing Opportunities for Persons with AIDS		
AIDS services	14.241	<u>197,885</u>
Total - City of New Orleans		<u>782,905</u>
Parish of Jefferson		
Department of Community Development Programs		
Community Development Block Grants		
Emergency shelter care	14.218	100,000
Emergency Shelter Grants Program		
Emergency shelter care	14.231	<u>195,760</u>
Total - Parish of Jefferson		<u>295,760</u>

(Continued)

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures*</u>
U.S. Department of Housing and Urban Development (Continued)		
UNITY for the Homeless, Inc.		
Supportive Housing Program		
Mental health	14.235	266,093
Transitional housing	14.235	173,565
Community centers	14.235	167,998
Emergency shelter care	14.235	40,214
Adult residential care	14.235	24,921
		<hr/>
Total - Supportive Housing Program		672,791
		<hr/>
Total - UNITY for the Homeless, Inc.		672,791
		<hr/>
Total pass-through programs		1,771,500
		<hr/>
Total - U. S. Department of Housing and Urban Development		2,580,632
		<hr/>
U. S. Department of Justice		
Pass-through programs from:		
New Orleans Legal Assistance Corporation		
Legal Assistance for Victims		
Domestic violence	16.524	48,036
		<hr/>
Louisiana Commission on Law Enforcement and Administration of Criminal Justice		
Juvenile Justice and Delinquency Prevention - Allocation to States		
Summer Witness	16.540	4,761
Crime Victim Assistance		
Domestic violence	16.575	129,332
Violence Against Women Formula Grants		
Domestic violence	16.588	16,220
		<hr/>
Total - Louisiana Commission on Law Enforcement		150,313
		<hr/>
City of New Orleans - Office of Criminal Justice		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders		
Immigrant/refugee services	16.590	44,307
		<hr/>
Total - U. S. Department of Justice		242,656
		<hr/>

(Continued)

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures*</u>
U.S. Department of State		
Pass-through programs from:		
United States Conference of Catholic Bishops		
Reception and placement-administrative	19.ukn	25,269
Reception and placement-direct	19.ukn	<u>7,100</u>
Total - U.S. Department of State		<u>32,369</u>
U.S. Department of Education		
Pass-through programs from:		
State of Louisiana		
Department of Education		
Adult Education - State Grant Program		
Safe and drug-free services	84.002	33,890
Safe and Drug-Free Schools and Communities		
Immigration/Refugee services	84.184	<u>38,024</u>
Total - Louisiana Department of Education		<u>71,914</u>
Department of Social Services		
Louisiana Rehabilitation Services		
Rehabilitation Services - Vocational Rehabilitation Grants		
Deaf action center	84.126	13,898
Louisiana Commission on Deaf		
Rehabilitation Services - Vocational Rehabilitation Grants		
Deaf action center	84.126	<u>47,421</u>
Total - Rehabilitation Services - Vocational Rehabilitation Grants		<u>61,319</u>
Total - Louisiana Department of Social Services		<u>61,319</u>
Total - State of Louisiana		<u>133,233</u>
Total - U.S. Department of Education		<u>133,233</u>
U. S. Department of Health and Human Services		
Direct programs:		
Health Resources and Services Administration		
Healthy Community Access Program		
Health community access program	93.252	<u>204,942</u>

(Continued)

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures*</u>
U. S. Department of Health and Human Services (Continued)		
Pass-through programs from:		
State of Louisiana		
Department of Education		
Temporary Assistance for Needy Families (TANF)		
Strategies to Empower People (STEP)	93.558	<u>41,948</u>
Department of Social Services		
Office of Community Services		
Refugee and Entrant Assistance - State Administered Programs		
Refugee social services	93.566	43,187
Refugee targeted assistance	93.566	112,991
Refugee social services (PPP)	93.566	<u>107,039</u>
Total - Refugee and Entrant Assistance		<u>263,217</u>
Foster Care - Title IV-E		
Independent living - positive youth development	93.658	<u>22,650</u>
Social Services Block Grant		
Child residential care	93.667	4,354,917
Therapeutic foster care	93.667	1,018,834
Family preservation	93.667	111,120
Residential supervised apartments	93.667	<u>9,958</u>
Total - Social Services Block Grant		<u>5,494,829</u>
Chaffee Foster Care Independence Program		
Independent living-match	93.674	295,275
Independent living-ETVP	93.674	<u>145,882</u>
Total - Chaffee Foster Care Independence Program		<u>441,157</u>
Total - Louisiana Department of Social Services		<u>6,221,853</u>
Office of the Governor/Office of Women's Policy		
Family Violence Prevention and Services - Grants for Battered Women's Shelters	93.671	<u>83,765</u>
Department of Health and Hospitals		
Office of Public Health		
Refugee and Entrant Assistance - Discretionary Grants		
Immigration/refugee services	93.576	<u>73,026</u>
Total - State of Louisiana		<u>6,420,592</u>

(Continued)

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures*</u>
U. S. Department of Health and Human Services (Continued)		
Total Community Action, Inc. Head Start Child day care	93.600	<u>3,568,555</u>
The Life Choice Project Pass-through from Louisiana Department of Social Services Temporary Assistance for Needy Families (TANF)	93.558	28,835
Louisiana Coalition Against Domestic Violence Temporary Assistance for Needy Families (TANF)	93.558	21,088
United States Conference of Catholic Bishops Refugee and Entrant Assistance - Voluntary Agency Programs Match Grant Program	93.567	71,052
Lutheran Immigration and Refugee Services Assistance for Torture Victims Detained torture survivors	93.604	<u>7,561</u>
Total - pass-through programs		<u>10,117,683</u>
Total - U.S. Department of Health and Human Services		<u>10,322,625</u>
Corporation for National and Community Service		
Foster Grandparents Program Foster Grandparents	94.011	<u>342,066</u>
U. S. Department of Homeland Security		
Pass-through programs from:		
United States Conference of Catholic Bishops Cuban and Haitian Program	97.009	<u>225</u>
United Way of Greater New Orleans Emergency Food and Shelter National Board Program		
Emergency assistance	97.024	18,313
Emergency shelter care	97.024	23,455
Domestic violence	97.024	4,701
EFSP	97.024	<u>4,686</u>
Total - Emergency Food and Shelter National Board Program		<u>51,155</u>

(Continued)

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures*</u>
U. S. Department of Homeland Security (Continued)		
Total - United Way of Greater New Orleans		<u>51,155</u>
Total - U.S. Department of Homeland Security		<u>51,380</u>
Total federal financial assistance included in this report		<u>\$ 19,169,012</u>

* Federal expenditures represent total expenditures for the program. Those expenditures may include amounts reimbursed by state and/or local matches.

See accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

**Catholic Charities Archdiocese of New Orleans and Subsidiaries
New Orleans, Louisiana**

For the year ended June 30, 2005

Note 1 - NATURE OF ACTIVITIES

Catholic Charities Archdiocese of New Orleans (the "Agency"), a not-for-profit charitable organization of the Roman Catholic Church of the Archdiocese of New Orleans (the "Archdiocese"), operates health and community-based programs and provides administrative support and financial management services to separately operated charitable programs which it sponsors.

During the year ended June 30, 2005, several organizational changes took place involving the Agency and ownership and control of similar health and community-based agencies previously sponsored by the Archdiocese. More specifically, ownership and control of PHILMAT, Inc., PACE Greater New Orleans, and Second Harvest Food Bank of Greater New Orleans and Acadiana, were transitioned to the Agency.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Catholic Charities Archdiocese of New Orleans, PHILMAT, Inc., and PACE Greater New Orleans. All federal expenditures of financial assistance received directly from federal agencies are included on the schedule, as well as expenditures of federal financial assistance passed-through other government agencies, including amounts reimbursed by state and/or local match.

Note 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Federal expenditures for the Agency and its Subsidiaries are recorded for financial reporting purposes when the Agency or Subsidiary incurs the liability.

We did not audit the financial statements of Second Harvest Food Bank of Greater New Orleans and Acadiana, a subsidiary of the Agency. Those financial statements were audited by other auditors who have issued a separate report on internal control over financial reporting and on compliance and other matters. Our report does not include that entity.

Note 3 - FINDINGS OF NONCOMPLIANCE

A finding of noncompliance is disclosed in the Schedule of Findings and Questioned Costs.
The potential reimbursement effects of the finding is not ascertainable.

Section I - Summary of Auditor's Results (Continued)

c) Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
10.565	Commodity Supplemental Food Program
14.236	HUD EDI Special Projects
93.667	Social Services Block Grant

Dollar threshold used to distinguish
between Type A and Type B programs: \$686,143

Auditee qualified as a low-risk auditee? X yes ___ no

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

Compliance

05-1 Delivery/Receiving Process, U.S. Department of Agriculture passed through the State of Louisiana Department of Health and Hospitals - Commodity Supplemental Food Program (CFDA #10.565)

Criteria - PHILMAT, Inc. is required by the grant document to maintain accurate and complete records regarding distribution and receipt of all commodities.

Condition - Delivery documents evidencing movement of commodities from the Baton Rouge warehouse to the distribution sites were examined. Proper documentation assuring product control was lacking.

Questioned Costs - Not applicable.

Section III - Federal Award Findings and Questioned Costs (Continued)

Compliance (Continued)

05-1 (Continued)

Context - From a total population of approximately 4,420, a total of 40 delivery documents were examined during our audit. Our examination of delivery documents included 15 from the Baton Rouge warehouse. Signatures acknowledging delivery from the warehouse and receipt by the distribution site of the listed products were not available for all 15 of the Baton Rouge delivery/receipt tickets examined.

Effect - PHILMAT, Inc. did not have signed documentation tracking the distribution of commodities from its Baton Rouge warehouse to their receipt at the distribution sites.

Cause - Warehouse personnel have not been made aware of the responsibility of signing delivery documents.

Recommendation - Instruct the responsible warehouse and delivery personnel of the requirements to account for the distribution and receipt of all commodities.

Management's Response - Management is aware of the need to clearly and accurately track the movement of commodities between the storage and distribution locations of this program. The signature on the delivery document is necessary to acknowledge that the stated amount of commodities was delivered. We have met with the appropriate staff and instructed them on the importance of signing every delivery document.

Internal Control Over Compliance

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

REPORTS BY MANAGEMENT

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

**Catholic Charities Archdiocese of New Orleans and Subsidiaries
New Orleans, Louisiana**

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, 2004.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2004.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2004.

Section II - Internal Control and Compliance Material To Federal Awards

Compliance

04-1 Recommendation - We recommend that PHILMAT, Inc. adhere to the procedures and policies related to recertification of participants and that they design a control whereby recertification dates entered into the computer system can be reviewed for reasonableness on a regular basis so that erroneous or invalid dates can be corrected.

Management's Corrective Action - The policies and procedures related to recertification will be reviewed with supervisors and staff quarterly. Where necessary, additional technical training will be provided to ensure compliance.

Section II - Internal Control and Compliance Material To Federal Awards (Continued)

Compliance (Continued)

04-1 Management's Corrective Action (Continued)

PHILMAT, Inc.'s Information Technology, Finance, and Planning & Evaluation Departments will recommend internal audit procedures and controls such as, date parameters and edit lists within the computer software and quarterly compliance testing to assist the program in recertification. Unresolved, however, it is not considered a current year finding because the situation has not been addressed for follow up by the granting agency during the past three years in which this finding was noted.

04-2 Recommendation - Instruct the responsible warehouse and delivery personnel of the requirement to account for the distribution and receipt of all commodities.

Management's Corrective Action - PHILMAT, Inc.'s Planning and Evaluation Departments will assist in developing internal audit procedures and controls to ensure the delivery tickets are signed according to necessary procedures. Possible future automation will also be explored. Unresolved (see 05-1).

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, 2004.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Catholic Charities Archdiocese of New Orleans and Subsidiaries New Orleans, Louisiana

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 of the financial statements for the year ended June 30, 2005.

Section II - Internal Control and Compliance Material To Federal Awards

Compliance

05-1 Recommendation - Instruct the responsible warehouse and delivery personnel of the requirement to account for the distribution and receipt of all commodities.

Management's Corrective Action - Every delivery document is returned to the warehouse after that delivery is completed. The warehouse manager and the warehouse clerical support person have been made aware of this audit finding. The clerical support person will review every ticket upon its return to the warehouse to ensure that they have been signed. In addition, the warehouse manager will review tickets periodically to verify that they have been properly signed. Experienced staff personnel are now employed at the Baton Rouge warehouse and are aware of the importance of appropriate documentation.

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.