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THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 1999 AND 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 FEB 7 6 2000

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Harmony Center, Inc.
(A Not For Profit Organization)
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of The Harmony Center, Inc. (a not for profit organization) as of June 30, 1999 and 1998, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Harmony Center, Inc. as of June 30, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 1999, on our consideration of The Harmony Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of The Harmony Center, Inc. taken as a whole. The accompanying supplemental schedules on pages 18 through 24 are presented for purposes of additional analysis and are 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.



September 30, 1999
Baton Rouge, Louisiana

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	JUNE 30	
	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	\$187,010	\$185,871
Investments (Note 2)	458,857	483,669
Accounts receivable	807,076	684,967
Receivables - other	71,677	102,104
Prepaid expenses	29,609	41,529
Total current assets	1,554,229	1,498,140
PROPERTY AND EQUIPMENT (Note 5)		
Buildings and land	1,465,850	1,263,597
Furniture and equipment	774,357	645,701
Motor vehicles	629,846	508,527
Building improvements	694,083	586,134
	3,564,136	3,003,959
Accumulated depreciation	(1,196,596)	(942,116)
	2,367,540	2,061,843
OTHER ASSETS		
Due from officer (Note 6)	160,795	111,120
Deposits (Note 3)	673,100	515,050
Goodwill	130,000	130,000
	963,895	756,170
TOTAL ASSETS	\$4,885,664	\$4,316,153

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$155,904	\$168,534
Accrued expenses (Note 8)	290,741	135,045
Note payable (Note 4)	96,957	115,782
Current maturities of long-term debt (Note 5)	272,792	45,388
Total current liabilities	816,394	464,749
LONG-TERM DEBT, net of current maturities (Note 5)	133,088	274,552
CONTINGENCIES (Note 9)	-	-
Total liabilities	949,482	739,301
NET ASSETS, unrestricted	3,936,182	3,576,852
TOTAL LIABILITIES AND NET ASSETS	\$4,885,664	\$4,316,153

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES

	YEAR ENDED JUNE 30	
	1999	1998
REVENUE AND SUPPORT		
Government fees - housing	\$7,340,379	\$6,535,816
Government fees - food	86,901	74,759
Government fees - services	195,078	144,062
Contribution (Note 10)	64,000	-
Residents' rental income	176,493	189,336
Rental income (Note 6)	37,200	36,000
Interest and other income (Note 2)	42,867	40,005
Total revenue and support	7,942,918	7,019,978
EXPENSES		
Program services:		
Group homes	3,440,365	2,674,654
Community homes	2,918,294	2,896,261
Extraordinary therapy (Note 8)	256,776	90,990
Transitional services	137,601	-
Total program services	6,753,036	5,661,905
Support services:		
Central Office cost	830,552	795,608
Total expenses	7,583,588	6,457,513
CHANGE IN NET ASSETS, unrestricted	359,330	562,465
NET ASSETS, unrestricted - beginning of year	3,576,852	3,014,387
NET ASSETS, unrestricted - end of year	\$3,936,182	\$3,576,852

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1999

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA- ORDINARY THERAPY	TRANSITIONAL SERVICES	CENTRAL OFFICE
ADMINISTRATIVE						
Salaries and wages	\$535,781	\$116,913	\$110,836	\$ -	\$ -	\$308,032
Payroll taxes	43,327	9,494	6,931	-	-	24,902
Employee benefits	31,097	6,437	9,047	-	-	15,613
Advertising	-	-	-	-	-	-
Insurance	296,515	136,418	119,884	2,924	11,734	25,555
Interest - operations	12,277	-	-	-	-	12,277
Licenses	17,909	11,194	6,420	-	245	50
Office supplies	56,160	23,696	11,962	-	1,730	18,772
Printing	1,170	523	-	-	-	647
Provider fee	240,076	-	240,076	-	-	-
Motor vehicle expense	138,541	75,124	38,545	-	576	24,296
Taxes - non-property	250	-	-	-	-	250
Postage	7,597	4,846	690	-	115	1,946
Professional services	83,945	676	-	-	-	83,269
Subscriptions	6,754	2,464	1,190	-	-	3,100
Telephone	99,500	46,422	24,136	-	4,966	23,976
Training	22,048	12,395	8,738	-	281	634
Travel and seminar	52,720	35,671	6,122	-	429	10,498
Bank charges	14,344	3,813	2,085	-	559	7,887
Extraordinary rate overpayment	98,512	-	-	98,512	-	-
PLANT OPERATIONS AND MAINTENANCE						
Salaries and wages	127,213	40,648	13,079	-	-	73,486
Payroll taxes	9,693	3,162	1,057	-	-	5,474
Employee benefits	3,907	1,629	2,278	-	-	-
Outside services	42,954	17,226	13,393	-	1,086	11,249
Repairs and maintenance	109,402	60,169	37,115	-	2,396	9,722
Supplies	28,648	19,589	5,202	-	2,860	997
Utilities	164,064	88,120	52,353	-	2,446	21,145
COST RELATED TO CAPITAL ASSETS						
Depreciation	275,181	150,308	69,440	-	11,575	43,858
Interest	37,743	3,114	8,956	-	513	25,160
Rent (Note 7)	324,675	145,840	101,292	-	2,031	75,512
Property taxes	3,778	2,783	-	-	-	995
Other	21,397	5,854	14,911	-	632	-
DIETARY EXPENSE						
Salaries and wages	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Food	280,728	167,934	108,421	-	4,373	-
Dietary supplies	9,914	5,546	3,526	-	842	-
Dietician	13,081	8,096	4,865	-	120	-
LAUNDRY AND LINEN SUPPLIES						
	23,941	13,160	9,885	-	896	-
HOUSEKEEPING SUPPLIES						
	41,757	26,135	11,878	-	3,561	183
PERSONAL CLIENT NEEDS						
Clothing	34,293	14,977	18,804	-	512	-
Other	41,610	24,886	16,236	-	488	-
MEDICAL AND NURSING						
Medical services	11,931	5,331	6,467	-	133	-
Medical supplies	9,693	4,512	3,752	-	680	749
Other	10,085	4,627	5,458	-	-	-
THERAPEUTIC AND TRAINING						
Salaries and wages	2,850,040	1,666,874	966,549	143,148	73,469	-
Payroll taxes	251,648	146,280	86,523	12,122	6,723	-
Employee benefits	118,891	60,819	57,556	70	446	-
Supplies	4,767	3,888	516	-	45	318
Other training	596,026	4,346	591,680	-	-	-
RECREATIONAL						
	53,553	32,152	20,262	-	1,139	-
CONSULTANTS						
	324,452	226,274	98,178	-	-	-
TOTAL EXPENSES	\$7,583,588	\$3,440,365	\$2,918,294	\$256,776	\$137,601	\$830,552

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1998

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA- ORDINARY THERAPY	OTHER PROGRAMS	CENTRAL OFFICE
ADMINISTRATIVE						
Salaries and wages	\$521,775	\$89,269	\$142,668	\$ -	\$ -	\$289,838
Payroll taxes	39,313	6,777	11,120	-	-	21,416
Employee benefits	28,448	5,958	9,303	-	-	13,187
Advertising	-	-	-	-	-	-
Insurance	277,733	119,253	126,983	2,884	-	28,613
Interest - operations	6,636	-	-	-	-	6,636
Licenses	10,124	4,743	5,325	-	-	56
Office supplies	49,306	17,362	12,395	-	-	19,549
Printing	2,226	694	43	-	-	1,289
Provider fee	237,047	-	237,047	-	-	-
Motor vehicle expense	143,868	71,191	51,547	-	-	21,130
Taxes - non-property	28,096	-	-	-	-	28,096
Postage	4,785	1,545	723	-	-	2,517
Professional services	78,132	4,754	720	-	-	72,658
Subscriptions	4,517	1,394	2,376	-	-	747
Telephone	79,543	38,908	22,152	-	-	18,483
Training	21,793	12,496	9,012	-	-	285
Travel and seminar	48,654	23,362	4,449	-	-	20,843
Bank charges	4,705	1,055	2,516	-	-	1,134
Miscellaneous	-	-	-	-	-	-
PLANT OPERATIONS AND MAINTENANCE						
Salaries and wages	132,483	68,710	38,304	-	-	25,469
Payroll taxes	9,745	5,207	2,804	-	-	1,734
Employee benefits	9,563	1,695	5,467	-	-	2,401
Outside services	26,696	8,540	6,471	-	-	11,685
Repairs and maintenance	123,187	57,867	38,997	-	-	26,323
Supplies	21,438	13,418	7,273	-	-	747
Utilities	154,212	70,788	56,089	-	-	27,335
COST RELATED TO CAPITAL ASSETS						
Depreciation	202,681	95,965	60,037	-	-	46,679
Interest	34,058	1,159	4,787	-	-	28,112
Rent	324,389	146,007	103,845	-	-	74,537
Property taxes	12,191	7,348	3,636	-	-	1,207
Other	4,543	2,902	1,483	-	-	158
DIETARY EXPENSE						
Salaries and wages	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Food	235,156	133,881	101,275	-	-	-
Dietary supplies	9,954	4,943	5,011	-	-	-
Dietician	11,164	6,960	4,204	-	-	-
LAUNDRY AND LINEN SUPPLIES						
	21,303	12,972	8,164	-	-	167
HOUSEKEEPING SUPPLIES						
	23,842	15,978	5,287	-	-	2,577
PERSONAL CLIENT NEEDS						
Clothing	34,323	9,230	25,093	-	-	-
Other	36,806	24,153	12,653	-	-	-
MEDICAL AND NURSING						
Medical services	18,232	4,661	13,571	-	-	-
Medical supplies	5,608	3,938	1,670	-	-	-
Other	1,215	979	236	-	-	-
THERAPEUTIC AND TRAINING						
Salaries and wages	2,237,567	1,236,662	924,567	76,338	-	-
Payroll taxes	174,043	96,382	71,849	5,812	-	-
Employee benefits	86,982	38,581	46,155	2,246	-	-
Supplies	7,688	7,370	318	-	-	-
Other training	587,772	2,660	581,402	3,710	-	-
RECREATIONAL						
	56,245	34,419	21,826	-	-	-
CONSULTANTS						
	267,726	162,318	105,408	-	-	-
TOTAL EXPENSES	\$6,457,513	\$2,674,654	\$2,896,261	\$90,990	\$ -	\$795,608

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Government fees received	\$7,500,249	\$6,557,322
Residents' income received	176,493	189,336
Rental income received	37,200	36,000
Interest income and other received	42,867	40,005
Cash paid to suppliers and employees	(7,039,401)	(6,152,427)
Interest paid	(50,020)	(40,694)
Net cash provided by operating activities	667,388	629,542
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of (addition to) certificates of deposit	24,812	217,917
Loans to shareholder	(49,675)	(7,343)
Repayments from (loans to) others, net	30,427	(10,217)
Capital expenditures	(580,878)	(743,589)
Net cash used in investing activities	(575,314)	(543,232)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowing on line of credit	(18,825)	115,782
Repayment of long-term debt	85,940	(39,603)
Payment of deposit toward purchase of real estate	(158,050)	(262,050)
Net cash used in financing activities	(90,935)	(185,871)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,139	(99,561)
CASH AND CASH EQUIVALENTS - beginning of year	185,871	285,432
CASH AND CASH EQUIVALENTS - end of year	\$187,010	\$185,871
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$359,330	\$562,465
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	275,181	202,681
(Increase) in accounts receivable	(122,109)	(197,315)
Decrease in prepaid expenses	11,920	1,933
(Decrease) increase in accounts payable	(12,630)	30,201
Increase in accrued expenses	155,696	29,577
Net cash provided by operating activities	\$667,388	\$629,542

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

1. Summary of Significant Accounting Policies

Organization

The Organization originated as a not for profit organization in January, 1978 and is exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue code.

The Harmony Center provides care to clients in one of four programs which include the following:

Group homes

Twelve homes providing housing and care for foster children and referrals from the Department of Corrections aged 14 to 18.

Community homes

Ten homes providing housing and care for mentally impaired clients aged 18 and over.

Extraordinary therapy

Additional health and rehabilitation services provided to chronically mentally ill clients residing in community homes.

Transitional services

Supervised transitional residence and aftercare program for discharged forensic clients to develop daily living skills and prepare for vocational adjustment.

All programs are operated in southern Louisiana and are funded by several State of Louisiana agencies through the Department of Health and Hospitals, Department of Corrections, Department of Social Services and Department of Education, as follows. Funding received by the Organization is in its capacity as a vendor; no Federal awards are received.

<u>Program</u>	<u>Funding Agency</u>	<u>Funding Basis</u>
<u>Group Homes:</u>		
Longfellow	Office of Community Services Department of Education	Per diem Meals provided
Harmony III	Office of Juvenile Services Department of Education	Per diem Meals provided

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

1. Summary of Significant Accounting Policies (continued)

<u>Program</u>	<u>Funding Agency</u>	<u>Funding Basis</u>
Supervised Apts	Office of Juvenile Services	Per diem
Hadley House	Office of Juvenile Services Department of Education	Per diem Meals provided
Vermillion	Office of Community Services Department of Education	Per diem Meals provided
Jackson	Office of Community Services Department of Education	Per diem Meals provided
Bragg	Office of Community Services Department of Education	Per diem Meals provided
Fairfields	Office of Community Services Office of Juvenile Services Department of Education	Per diem Per diem Meals provide
Changes	Office of Community Services Department of Education	Per diem Meals provided
Focus	Office of Juvenile Services Department of Education	Per diem Meals provided
Shirley's Den	Office of Juvenile Services Department of Education	Per diem Meals provided
A B Horn	Office of Juvenile Services Department of Education	Per diem Meals provided
<u>Transitional Services:</u>		
Transitional	Office of Mental Health	Per diem
<u>Community Homes:</u>		
East	Office of Family Security	Per diem
Bedford	Office of Family Security	Per diem
Goudchaux	Office of Family Security	Per diem
Elissalde	Office of Family Security	Per diem
Convention	Office of Family Security	Per diem
Riley	Office of Family Security	Per diem

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

1. Summary of Significant Accounting Policies (continued)

<u>Program</u>	<u>Funding Agency</u>	<u>Funding Basis</u>
Harmony II	Office of Family Security Department of Education	Per diem Meals provided
Florida Street	Office of Family Security	Per diem
Mason	Office of Family Security	Per diem
Carrollton	Office of Family Security	Per diem

Extraordinary Therapy:

Bedford	Office of Family Security	Per diem
Harmony II	Office of Family Security	Per diem
Carrollton	Office of Family Security	Per diem

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501c3 of the Internal Revenue Code.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no temporarily or permanently restricted net assets as of June 30, 1999 or 1998.

Contributions

Any contributions received by the Organization, including donations of long-lived assets, are considered to be available for unrestricted use unless specifically restricted by the donor. During the year ended June 30, 1999, the Organization received a donation of real estate with a fair market value of \$64,000. The donation has been recorded as a contribution on the accompanying Statement of Activities and included in property and equipment on the Statement of Financial Position.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

1. Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

The allowance for uncollectible accounts is based on prior experience and management's assessment of the collectibility of accounts receivable. Due to the nature of the receivables, which are due from agencies of the State of Louisiana, all amounts are considered to be collectible and therefore, an allowance for uncollectible accounts has not been established.

Property and Equipment

The Organization follows the practice of capitalizing, at cost, expenditures for fixed assets in excess of \$500. Property donated to the Organization is recorded at fair market value. Depreciation is computed using the straight-line method over the assets' estimated useful lives as follows:

Buildings	40 years
Furniture and equipment	5-10 years
Vehicles	3-5 years
Building improvements	2-20 years

Valuation of Investments

Investments consist of certificates of deposit and mutual funds. Mutual funds are presented at their fair market value as determined by quoted market prices. The certificates of deposit are presented at cost, which approximates fair value. Investment income and gains and losses on investments are recorded as increases or decrease in unrestricted net assets on the accompanying statement of activities.

Fair Value of Long-Term Debt

Based on the borrowing rates currently available to the Organization for similar loans with similar terms and maturities, the carrying amount of its long-term debt approximates fair value.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of trade accounts receivable. As of June 30, 1999 and 1998 substantially all of the Organization's trade receivables are unsecured and due from agencies of the State of Louisiana. All of the Organization's revenues are generated in southern Louisiana.

The Organization maintains its cash balances in two financial institutions located in Baton Rouge, Louisiana. The balances at

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

1. Summary of Significant Accounting Policies (continued)

each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 1999 and 1998, the Organization's uninsured cash balances totaled \$557,523 and \$578,578, respectively.

Allocation of Administrative Expenses

Central office overhead expenses are prorated between the various group homes, community homes, and transitional services based upon the percentage of each home's client days to total client days.

Shared administrative costs are those expenses that benefit only the group homes or the community homes. These costs are allocated among the various group homes or community homes based upon the percentage of each home's client days to total program client days.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. As discussed in Note 7, the Organization has estimated a liability for the overpayment of Extraordinary Therapy services in the amount of \$98,512. The actual liability will be determined upon completion of an audit by the Department of Health and Hospitals and may differ from management's estimate.

2. Investments

Investments are carried at fair value and consist of the following. Mutual funds are all categorized as available for sale.

	<u>June 30</u>	
	<u>1999</u>	<u>1998</u>
Certificates of deposit	\$ 442,470	\$ 466,004
Mutual funds	16,387	17,665
	<u>458,857</u>	<u>483,669</u>
Less unrealized gain	8,027	9,306
Aggregate cost	<u>\$ 450,830</u>	<u>\$ 474,363</u>

Investment return is summarized as follows:

	<u>Year Ended June 30</u>	
	<u>1999</u>	<u>1998</u>
Interest income	\$ 36,967	\$ 47,220
Unrealized gain (loss)	(1,279)	9,306
Total unrestricted investment income	<u>\$ 35,688</u>	<u>\$ 56,526</u>

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

3. Deposits

Deposits include amounts paid to individuals toward the future purchase of buildings and land located at 1900 North Boulevard and 1201 Convention, Baton Rouge, Louisiana.

4. Note Payable

The Organization has a line of credit with a local bank in the amount of \$150,000. The credit line, which accrues interest at 7.5% per annum, has a one year term and matures in November 1999. The credit line is collateralized by certificates of deposit. As of June 30, 1999 and 1998, the outstanding balance was \$96,957 and \$115,782, respectively.

5. Long-Term Debt

Long-term debt consists of the following:

Payee/ Collateral	Interest Rate	Maturity Date	Monthly Payment	June 30	
				1999	1998
Bank/Louisa St. real estate	10.25%	11/1999	\$2,014	\$195,695	\$199,591
Bank/3 vehicles	9.75%	6/2000	1,817	20,652	39,136
Bank/vehicle	9.00%	6/2000	653	7,469	14,288
Bank/unsecured	7.50%	9/1999	679	2,671	10,277
Bank/vehicle & officer guar	9.75%	1/2000	517	3,875	8,959
Bank/real estate	9.75%	9/2008	613	44,861	47,689
Bank/vehicle	8.00%	2/2003	421	16,063	-
Bank/vehicle	8.00%	2/2003	391	14,589	-
Bank/vehicle	9.00%	12/2001	2,392	63,625	-
Bank/vehicle	8.50%	6/2003	904	36,400	-
				<u>405,900</u>	<u>319,940</u>
Less current maturities				<u>272,792</u>	<u>45,388</u>
				<u>\$133,108</u>	<u>\$274,552</u>

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

5. Long-Term Debt (continued)

The long-term debt matures as follows:

<u>Year Ending June 30</u>	
2000	\$272,792
2001	46,448
2002	35,932
2003	20,373
2004	4,596
Thereafter	25,759
	<u>\$405,900</u>

6. Related Party Transactions

During the years ended June 30, 1999 and 1998, the Organization leased from an officer the following properties:

	<u>Year Ended June 30</u>	
	<u>1999</u>	<u>1998</u>
Group Homes:		
Longfellow	\$ 14,400	\$ 14,400
Harmony III	18,000	18,000
Supervised Apartments	18,000	18,000
Vermillion	12,000	12,000
Jackson	31,500	31,500
Bragg	18,000	18,000
Shirley's Den	18,000	18,000
Community Homes:		
East	7,692	7,692
Bedford	14,400	14,400
Elissalde	7,200	7,200
Goudchaux	7,200	7,200
Convention	14,400	14,400
Riley	12,000	12,000
Harmony II	14,400	14,400
Florida	12,000	12,000
Mason	12,000	12,000
Administrative	17,872	14,272
	<u>\$ 249,064</u>	<u>\$ 218,464</u>

The lease agreements are renewable annually.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

6. Related Party Transactions (continued)

During the years ended June 30, 1999 and 1998, the Organization leased buildings and land to Maxima Industries, Inc. and Louisiana Health and Rehabilitation Options, Inc. Maxima Industries, Inc. is wholly owned by a family member of an officer of the Organization. The family member also has a supervisory position with The Harmony Center, Inc. Louisiana Health and Rehabilitation Options, Inc. is owned by an officer of the Organization. The lease agreements are renewable annually. Rental income earned under these leases was as follows:

	<u>Year Ended June 30</u>	
	<u>1999</u>	<u>1998</u>
Maxima Industries, Inc.	\$ 25,200	\$ 24,000
Louisiana Health and Rehabilitation Options, Inc.	12,000	12,000
	<u>\$ 37,200</u>	<u>\$ 36,000</u>

During the years ended June 30, 1999 and 1998 the Organization hired Louisiana Health and Rehabilitation Options, Inc., to perform rehabilitation and therapy services. Fees incurred under this arrangement were as follows:

	<u>Year Ended June 30</u>	
	<u>1999</u>	<u>1998</u>
Community Homes		
East	\$ 60,150	\$ 65,291
Riley	62,400	65,291
Harmony II	55,650	65,291
	<u>\$ 178,200</u>	<u>\$ 195,873</u>

The Harmony Center, Inc. engaged Maxima Industries, Inc. to provide day program habilitation training for residents of the community homes. During the fiscal year, Harmony paid Maxima the following amounts for services rendered:

	<u>Year Ended June 30</u>	
	<u>1999</u>	<u>1998</u>
Community Homes		
East	\$ 50,196	\$ 49,204
Bedford	43,921	43,053
Elissalde	36,743	36,903
Goudchaux	37,647	36,903
Convention	50,196	46,151
Riley	45,156	40,025
Harmony II	46,946	36,137
Florida	37,647	36,903
Mason	36,593	32,346
	<u>\$ 385,045</u>	<u>\$ 357,625</u>

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

6. Related Party Transactions (continued)

As of June 30, 1999, the Organization owed Maxima Industries, Inc. \$31,172. No amounts were due to Maxima Industries, Inc. as of June 30, 1998. As of June 30, 1999 and 1998, the Organization was due \$16,266 and \$45,183, respectively, from Louisiana Health and Rehabilitation Options, Inc.

The amount due from officer on the statement of financial position is an unsecured, short-term obligation which bears interest at 6%.

7. Operating Leases

In addition to the related party leases which are discussed in Note 6, the Organization leases a building from an unrelated party for \$3,500 per month. The lease agreement is renewable annually. Rental expense under that lease was \$42,000 for each of the years ended June 30, 1999 and 1998.

The Organization also leases various office equipment under operating leases. The leases commenced in August 1998, terminate in July 2004 and call for monthly payments totaling \$1,941. Rental expense under those leases totaled \$21,350.

Future minimum rental payment under the above equipment leases are as follows:

<u>Year Ending June 30</u>	
2000	\$ 23,292
2001	23,292
2002	23,292
2003	23,292
2004	23,292
2005	1,941
	<u>\$118,401</u>

8. Estimated Extraordinary Rate Overpayment

The Organization has been notified by the Louisiana Department of Health and Hospitals that its extraordinary therapy services are under review for the year ended June 30, 1998. Although no final determination of liability for overpayment has been established as of the date of issuance of these financial statements, the Organization has used criteria set forth by the Department of Health and Hospitals to estimate a liability of \$53,072 for the year ended June 30, 1998. Using the same criteria, the Organization has also estimated a liability of \$45,440 for extraordinary therapy services for the year ended June 30, 1999. The total estimated liability of \$98,512 has been accrued as of June 30, 1999 and charged to Extraordinary Therapy expenses.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

9. Contingencies

Current and prior funds received from the various funding agencies are subject to audit by the respective agencies. Generally accepted accounting principles preclude a charge to income for a provision for loss contingencies, if any, that cannot be reasonably estimated. As discussed in Note 7, due to an audit of the Extraordinary Therapy Services, an overpayment liability been estimated and accrued.

During the year ended June 30, 1997, an accident occurred which resulted in the fatality of a resident. The family of the deceased has filed a wrongful death lawsuit against the Organization. The case is in the discovery stage and the ultimate outcome of the legal proceedings related to this accident cannot presently be determined, nor can an estimate of the possible loss or range of loss be estimated; therefore, no provision for any liability that may result has been made in the financial statements. It is reasonably possible that a loss estimate or range of possible loss will be estimated in the near term.

10. Non-Cash Investing Transactions

Non-cash investing transactions are summarized as follows:

	<u>Year Ending June 30</u>	
	<u>1999</u>	<u>1998</u>
Acquisition of donated real estate	<u>\$ 64,000</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

SCHEDULE OF FINANCIAL POSITION
COMBINED PROGRAMS
JUNE 30, 1999

	<u>TOTAL</u>	<u>GROUP HOMES</u>	<u>COMMUNITY HOMES</u>	<u>EXTRA-ORDINARY THERAPY</u>	<u>TRANSITIONAL SERVICES</u>	<u>CENTRAL OFFICE</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$187,010	\$122,458	\$13,078	\$11,998	\$3,875	\$35,601
Investments	458,857	-	-	-	-	458,857
Accounts receivable	807,076	461,095	327,221	-	18,760	-
Interfund receivables	1,414,902	561,103	932,700	107,396	(186,297)	-
Receivables - other	71,677	12,377	16,037	-	-	43,263
Prepaid expenses	29,609	9,396	19,430	-	783	-
Total current assets	<u>2,969,131</u>	<u>1,166,429</u>	<u>1,308,466</u>	<u>119,394</u>	<u>(162,879)</u>	<u>537,721</u>
PROPERTY AND EQUIPMENT						
Buildings and land	1,465,850	624,673	190,334	-	49,203	601,640
Furniture and equipment	774,357	374,920	170,015	-	34,097	195,325
Vehicles	629,846	296,439	169,788	-	37,279	126,340
Building improvements	694,083	426,035	177,698	-	-	90,350
	<u>3,564,136</u>	<u>1,722,067</u>	<u>707,835</u>	<u>-</u>	<u>120,579</u>	<u>1,013,655</u>
Accumulated depreciation	(1,196,596)	(477,899)	(266,262)	-	(23,500)	(428,935)
	<u>2,367,540</u>	<u>1,244,168</u>	<u>441,573</u>	<u>-</u>	<u>97,079</u>	<u>584,720</u>
OTHER ASSETS						
Due from officer	160,795	-	-	-	-	160,795
Deposits	673,100	-	-	-	-	673,100
Goodwill	130,000	-	130,000	-	-	-
	<u>963,895</u>	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>833,895</u>
TOTAL ASSETS	<u>\$6,300,566</u>	<u>\$2,410,597</u>	<u>\$1,880,039</u>	<u>\$119,394</u>	<u>(\$65,800)</u>	<u>\$1,956,336</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$155,904	\$39,519	\$94,640	\$ -	\$542	\$21,203
Accrued expenses	290,741	27,805	16,141	100,179	3,890	142,726
Interfund payables	1,414,902	-	-	-	-	1,414,902
Note payable	96,957	-	-	-	-	96,957
Current maturities of long-term debt	272,792	25,786	16,609	-	3,910	226,487
Total current liabilities	<u>2,231,296</u>	<u>93,110</u>	<u>127,390</u>	<u>100,179</u>	<u>8,342</u>	<u>1,902,275</u>
LONG-TERM DEBT, net of current maturities	<u>133,088</u>	<u>49,053</u>	<u>71,882</u>	<u>-</u>	<u>12,153</u>	<u>-</u>
Total liabilities	<u>2,364,384</u>	<u>142,163</u>	<u>199,272</u>	<u>100,179</u>	<u>20,495</u>	<u>1,902,275</u>
NET ASSETS, unrestricted	<u>3,936,182</u>	<u>2,268,434</u>	<u>1,680,767</u>	<u>19,215</u>	<u>(86,295)</u>	<u>54,061</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,300,566</u>	<u>\$2,410,597</u>	<u>\$1,880,039</u>	<u>\$119,394</u>	<u>(\$65,800)</u>	<u>\$1,956,336</u>

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
COMBINED PROGRAMS
YEAR ENDED JUNE 30, 1999

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA- ORDINARY THERAPY	TRANSITIONAL SERVICES	CENTRAL OFFICE
REVENUE						
Government fees - housing	\$7,340,379	\$4,034,255	\$3,247,744	\$ -	\$58,380	\$ -
Government fees - food	86,901	81,724	5,177	-	-	-
Government fees - services	195,078	-	-	195,078	-	-
Residents' rental income	176,493	-	174,148	-	2,345	-
Contribution	64,000	64,000	-	-	-	-
Rental income	37,200	-	-	-	-	37,200
Interest income and other	42,867	2,976	6,281	-	-	33,610
	<u>7,942,918</u>	<u>4,182,955</u>	<u>3,433,350</u>	<u>195,078</u>	<u>60,725</u>	<u>70,810</u>
EXPENSES						
ADMINISTRATIVE						
Salaries and wages	535,781	116,913	110,836	-	-	308,032
Payroll taxes	43,327	9,494	8,931	-	-	24,902
Employee benefits	31,097	6,437	9,047	-	-	15,613
Advertising	-	-	-	-	-	-
Insurance	296,515	136,418	119,884	2,924	11,734	25,555
Interest - operations	12,277	-	-	-	-	12,277
Licenses	17,909	11,194	6,420	-	245	50
Office supplies	56,160	23,696	11,962	-	1,730	18,772
Printing	1,170	523	-	-	-	647
Provider fee	240,076	-	240,076	-	-	-
Motor vehicle expense	138,541	75,124	38,545	-	576	24,296
Taxes - non-property	250	-	-	-	-	250
Postage	7,597	4,846	690	-	115	1,946
Professional services	83,945	676	-	-	-	83,269
Subscriptions	6,754	2,464	1,190	-	-	3,100
Telephone	99,500	46,422	24,136	-	4,966	23,976
Training	22,048	12,395	8,738	-	281	634
Travel and seminar	52,720	35,671	6,122	-	429	10,498
Bank charges	14,344	3,813	2,085	-	559	7,887
Extraordinary rate overpayment	98,512	-	-	98,512	-	-
PLANT OPERATIONS AND MAINTENANCE						
Salaries and wages	127,213	40,648	13,079	-	-	73,486
Payroll taxes	9,693	3,162	1,057	-	-	5,474
Employee benefits	3,907	1,629	2,278	-	-	-
Outside services	42,954	17,226	13,393	-	1,086	11,249
Repairs and maintenance	109,402	60,169	37,115	-	2,396	9,722
Supplies	28,648	19,589	5,202	-	2,860	997
Utilities	164,064	88,120	52,353	-	2,446	21,145
COST RELATED TO CAPITAL ASSETS						
Depreciation	275,181	150,308	69,440	-	11,575	43,858
Interest	37,743	3,114	8,956	-	513	25,160
Rent	324,675	145,840	101,292	-	2,031	75,512
Property taxes	3,778	2,783	-	-	-	995
Other	21,397	5,854	14,911	-	632	-
DIETARY EXPENSE						
Salaries and wages	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Food	280,728	167,934	108,421	-	4,373	-
Dietary supplies	9,914	5,546	3,526	-	842	-
Dietician	13,081	8,096	4,865	-	120	-
LAUNDRY AND LINEN SUPPLIES						
	23,941	13,160	9,885	-	896	-
HOUSEKEEPING SUPPLIES						
	41,757	26,135	11,878	-	3,561	183
PERSONAL CLIENT NEEDS						
Clothing	34,293	14,977	18,804	-	512	-
Other	41,610	24,886	16,236	-	488	-
MEDICAL AND NURSING						
Medical services	11,931	5,331	6,467	-	133	-
Medical supplies	9,693	4,512	3,752	-	680	749

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
COMBINED PROGRAMS
YEAR ENDED JUNE 30, 1999

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA-ORDINARY THERAPY	TRANSITIONAL SERVICES	CENTRAL OFFICE
Other	10,085	4,627	5,458	-	-	-
THERAPEUTIC AND TRAINING						
Salaries and wages	2,850,040	1,666,874	966,549	143,148	73,469	-
Payroll taxes	251,648	146,280	86,523	12,122	6,723	-
Employee benefits	118,891	60,819	57,556	70	446	-
Supplies	4,767	3,888	516	-	45	318
Other training	596,026	4,346	591,680	-	-	-
RECREATIONAL	53,553	32,152	20,262	-	1,139	-
CONSULTANTS	324,452	226,274	98,178	-	-	-
ALLOCATED EXPENSES						
Central Office cost	-	426,820	281,852	-	9,419	(718,091)
Shared cost	-	-	-	-	-	-
TOTAL EXPENSES	<u>7,583,588</u>	<u>3,867,185</u>	<u>3,200,146</u>	<u>256,776</u>	<u>147,020</u>	<u>112,461</u>
CHANGE IN NET ASSETS	359,330	315,770	233,204	(61,698)	(86,295)	(41,651)
NET ASSETS - July 1, 1998	<u>3,576,852</u>	<u>1,952,664</u>	<u>1,447,563</u>	<u>80,913</u>	<u>-</u>	<u>95,712</u>
NET ASSETS - June 30, 1999	<u>\$3,936,182</u>	<u>\$2,268,434</u>	<u>\$1,680,767</u>	<u>\$19,215</u>	<u>(\$86,295)</u>	<u>\$54,061</u>

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

YEAR ENDED JUNE 30, 1992

	TOTAL	LONGFELLOW	HARMONY III	SUPERVISED APARTMENTS	HADLEY HOUSE	VERMILION	JACKSON	BRAGG	FAIRFIELDS	CHANGES	FOCUS	SHIRLEY'S DEN	A B KORN	BAKER	SHARED COST CENTER
REVENUE															
Government fees - housing	\$4,034,255	\$517,300	\$312,113	\$187,195	\$335,525	\$580,663	\$654,995	\$307,640	\$231,908	\$394,448	\$200,714	\$209,211	\$102,543	-	\$-
Government fees - food	81,724	10,249	7,856	-	9,667	11,013	12,559	7,206	4,286	6,960	4,546	4,480	2,902	-	-
Government fees - services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residents' rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution	64,000	-	-	-	-	-	-	-	-	-	-	-	64,000	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income and other	2,376	372	-	-	372	372	372	-	372	-	372	372	372	-	-
	<u>4,182,955</u>	<u>527,921</u>	<u>319,969</u>	<u>187,195</u>	<u>345,564</u>	<u>582,948</u>	<u>667,926</u>	<u>314,846</u>	<u>236,566</u>	<u>401,408</u>	<u>205,632</u>	<u>214,063</u>	<u>169,817</u>	-	-
EXPENSES															
ADMINISTRATIVE															
Salaries and wages	116,913	-	-	-	-	-	-	-	-	-	-	-	-	-	116,913
Payroll taxes	9,494	-	-	-	-	-	-	-	-	-	-	-	-	-	9,494
Employee benefits	6,437	-	-	-	-	-	-	-	-	-	-	-	-	-	6,437
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	136,418	11,775	11,022	11,022	11,778	11,774	12,083	11,774	11,773	11,774	9,023	8,821	9,151	1,277	3,371
Interest - operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses	11,194	690	500	50	500	635	660	500	78	530	2,522	2,487	2,042	-	-
Office supplies	23,696	989	1,021	890	1,232	1,137	1,756	1,846	1,184	1,719	2,750	313	863	-	7,996
Printing	523	86	-	-	58	94	-	43	-	86	113	43	-	-	-
Provider fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicle expense	75,124	5,374	5,897	11,552	5,025	9,787	11,162	7,241	6,521	3,172	5,464	1,801	1,438	-	690
Taxes - non-property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	4,846	131	148	32	456	880	562	798	157	885	99	99	99	-	500
Professional services	676	-	-	-	-	-	-	-	-	-	112	-	-	-	564
Subscriptions	2,464	404	320	40	296	93	249	362	62	316	173	135	-	-	15
Telephone	46,422	2,410	2,735	3,111	3,207	12,408	6,084	1,434	2,531	2,861	1,920	1,536	1,883	-	4,302
Training	12,395	1,256	556	431	726	2,848	1,707	1,150	483	952	966	841	297	-	182
Travel and seminar	35,671	800	4,142	3,948	4,219	5,734	4,352	4,072	1,035	2,103	1,429	1,329	1,330	-	1,178
Bank charges	3,813	302	350	340	349	302	314	307	302	302	305	305	304	-	31
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PLANT OPERATIONS AND MAINTENANCE															
Salaries and wages	40,648	4,750	4,750	4,750	5,978	644	5,312	2,919	4,750	4,763	-	-	-	-	2,032
Payroll taxes	3,162	358	375	375	446	73	413	247	375	362	-	-	-	-	138
Employee benefits	1,629	289	503	503	169	-	22	-	87	65	-	-	-	-	-
Outside services	17,226	1,700	1,497	405	2,834	2,443	2,185	522	744	1,234	2,919	563	180	-	-
Repairs and maintenance	60,169	8,336	9,762	1,577	4,616	5,238	9,030	3,231	4,750	5,085	4,747	1,535	2,262	-	-
Supplies	19,589	1,453	3,858	737	2,250	1,319	2,319	943	1,113	872	2,618	1,027	1,080	-	-
Utilities	88,120	7,941	11,075	5,863	6,555	11,063	12,255	6,621	6,768	7,089	7,786	3,282	1,822	-	-
COST RELATED TO CAPITAL ASSETS															
Depreciation	150,308	19,102	9,927	7,909	11,224	21,291	21,836	8,630	8,336	17,340	11,077	6,471	4,546	-	2,619
Interest	3,114	683	-	683	-	-	683	598	-	-	-	-	467	-	-
Rent	145,840	14,400	18,000	18,000	-	14,893	34,991	21,931	-	2,202	2,423	18,000	-	-	-
Property taxes	2,783	-	-	-	-	657	-	708	-	1,418	-	-	-	-	-
Other	5,854	969	-	353	86	332	323	-	475	200	1,145	1,285	686	-	-
DIETARY EXPENSE															
Salaries and wages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food	167,934	20,705	15,878	2,699	19,437	22,311	25,231	14,402	8,585	14,041	9,145	9,740	5,760	-	-
Dietary supplies	5,546	447	335	194	701	185	451	192	308	224	783	1,518	208	-	-
Dietician	8,096	320	160	160	160	2,136	725	1,955	360	1,640	280	160	200	-	-
LAUNDRY AND LINEN SUPPLIES	13,160	1,729	1,523	924	1,586	959	1,261	771	204	183	1,500	1,768	752	-	-
HOUSEKEEPING SUPPLIES	26,135	1,702	1,892	637	2,229	1,382	2,924	2,030	1,215	2,217	4,055	3,386	2,466	-	-

THE HARMONY CENTER, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
GROUP HOMES
YEAR ENDED JUNE 30, 1999

	TOTAL	LONGFELLOW	HARMONY III	SUPERVISED APARTMENTS	RADLEY HOUSE	VERMILION	JACKSON	BRAGG	FAIRFIELDS	CHANGES	FOCUS	SHIRLEY'S DEN	A. B. HORN	BAKER	SHARED COST CENTER
PERSONAL CLIENT NEEDS															
Clothing	14,977	1,190	1,279	-	4,906	(1,175)	(258)	(397)	1,387	(432)	3,372	2,523	2,582	-	-
Other	24,986	1,477	2,205	2,591	2,155	3,305	4,704	2,034	1,489	974	1,150	2,242	559	-	-
MEDICAL AND NURSING															
Medical services	5,331	492	869	277	743	258	690	1,014	93	210	148	537	-	-	-
Medical supplies	4,512	1,073	266	70	183	501	367	204	220	1,305	142	180	-	-	-
Other	4,627	475	1,255	62	1,664	-	-	132	114	299	152	474	-	-	-
THERAPEUTIC AND TRAINING															
Salaries and wages	1,666,874	158,549	100,237	59,848	123,608	250,662	264,915	185,441	122,226	199,363	90,067	65,304	46,634	-	-
Payroll taxes	146,280	13,849	8,936	5,335	10,814	21,700	22,905	16,220	10,924	17,486	7,925	5,914	4,272	-	-
Employee benefits	60,819	8,042	4,363	2,453	3,738	8,830	6,768	7,304	6,165	5,846	3,686	2,440	1,184	-	-
Supplies	3,888	534	279	-	115	402	562	442	97	122	665	86	304	-	280
Other training	4,346	860	-	-	-	1,000	960	900	10	460	52	52	52	-	-
RECREATIONAL	32,152	5,245	994	80	1,631	9,448	4,338	3,598	2,279	2,073	385	1,006	1,075	-	-
CONSULTANTS	226,274	30,541	453	499	5,353	44,719	34,484	13,080	28,035	21,566	43,548	3,389	587	-	-
ALLOCATED EXPENSES															
Central Office cost	426,820	56,029	38,761	23,356	53,036	56,187	57,272	31,905	15,337	36,830	20,634	24,711	12,762	-	-
Shared cost	-	20,576	14,234	8,577	19,477	20,634	21,032	11,717	5,632	13,525	7,577	9,075	4,686	-	(156,742)
TOTAL EXPENSES	<u>3,867,185</u>	<u>408,024</u>	<u>280,357</u>	<u>180,173</u>	<u>313,540</u>	<u>547,110</u>	<u>577,628</u>	<u>369,821</u>	<u>256,204</u>	<u>384,283</u>	<u>252,857</u>	<u>184,378</u>	<u>112,533</u>	<u>1,277</u>	<u>-</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	315,770	119,897	39,612	7,022	32,024	44,938	90,298	(53,975)	(19,638)	17,125	(47,225)	29,685	57,284	(1,277)	-
OTHER CHANGE IN NET ASSETS	-	(197,900)	(44,760)	20,129	(56,674)	(102,547)	(137,117)	47,117	50,154	131,348	147,571	63,339	89,729	(10,389)	-
Intraprogram transfers	1,952,664	394,388	218,795	88,361	176,765	355,862	269,462	41,675	77,988	213,205	-	-	-	106,652	9,521
NET ASSETS - July 1, 1998	<u>\$2,268,434</u>	<u>\$316,385</u>	<u>\$213,637</u>	<u>\$115,512</u>	<u>\$152,115</u>	<u>\$298,253</u>	<u>\$222,643</u>	<u>\$34,817</u>	<u>\$108,504</u>	<u>\$361,678</u>	<u>\$100,346</u>	<u>\$93,024</u>	<u>\$147,013</u>	<u>\$94,986</u>	<u>\$9,521</u>

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
COMMUNITY HOMES
YEAR ENDED JUNE 30, 1992

	TOTAL	EAST	BEDFORD	ELLISALOE	GOUDCHAUX	CONVENTION	RILEY	HARMONY II	FLORIDA	MASON	CARROLLTON	CHRISTIAN	SHARED COST CENTER
REVENUE													
Government fees - housing	\$3,247,744	\$375,059	\$308,080	\$294,247	\$296,077	\$374,615	\$356,583	\$376,917	\$311,265	\$278,631	\$276,270	\$ -	\$ -
Government fees - food	5,177	-	-	-	-	-	-	5,177	-	-	-	-	-
Government fees - services	-	-	-	-	-	-	-	-	-	-	-	-	-
Residents' rental income	174,148	20,486	32,067	2,970	3,323	23,664	36,787	8,620	16,604	15,735	13,892	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income and other	6,281	372	-	332	332	-	-	332	4,249	332	-	-	-
	<u>3,433,350</u>	<u>395,917</u>	<u>340,147</u>	<u>297,549</u>	<u>299,732</u>	<u>398,611</u>	<u>393,370</u>	<u>391,086</u>	<u>332,118</u>	<u>294,698</u>	<u>290,162</u>	-	-
EXPENSES													
ADMINISTRATIVE													
Salaries and wages	110,836	-	-	-	-	-	-	-	-	-	-	-	110,836
Payroll taxes	8,931	-	-	-	-	-	-	-	-	-	-	-	8,931
Employee benefits	9,047	-	-	-	-	-	-	-	-	-	-	-	9,047
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	119,884	11,969	11,752	11,969	11,375	11,645	11,645	11,645	11,510	11,373	12,159	-	2,842
Interest - operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses	6,420	640	635	630	630	640	630	640	660	695	620	-	-
Office supplies	11,962	255	320	347	70	140	-	37	94	387	832	-	9,480
Printing	-	-	-	-	-	-	-	-	-	-	-	-	-
Provider fee	240,076	27,571	24,579	20,914	21,068	28,090	28,090	27,186	21,068	20,721	20,789	-	-
Motor vehicle expense	38,545	4,981	7,301	1,934	5,146	4,059	1,670	3,598	2,550	2,652	4,554	-	-
Taxes - non-property	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	690	65	33	33	33	65	65	112	33	33	218	-	-
Professional services	-	-	-	-	-	-	-	-	-	-	-	-	-
Subscriptions	1,190	148	25	130	130	182	130	130	130	130	-	-	55
Telephone	24,136	1,927	2,172	1,910	862	1,853	1,900	2,376	1,959	2,064	2,478	-	4,635
Training	8,738	731	856	701	766	896	801	1,244	849	724	939	-	231
Travel and seminar	6,122	609	567	240	81	176	178	295	182	266	2,363	-	1,165
Bank charges	2,085	642	213	134	133	133	134	189	189	159	159	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>13,079</u>	<u>2,622</u>	<u>2,530</u>	<u>2,530</u>	<u>2,530</u>	<u>2,530</u>	<u>85</u>	<u>63</u>	<u>63</u>	<u>63</u>	<u>63</u>	<u>-</u>	<u>-</u>
PLANT OPERATIONS AND MAINTENANCE													
Salaries and wages	1,057	199	199	199	199	199	14	12	12	12	12	-	-
Payroll taxes	2,278	487	465	480	423	423	-	-	-	-	-	-	-
Employee benefits	13,393	585	1,316	1,832	1,035	961	1,429	2,552	810	881	622	-	1,370
Outside services	37,115	4,890	1,718	3,757	2,860	2,879	2,789	3,309	2,252	6,589	4,324	1,748	-
Repairs and maintenance	5,202	649	430	663	407	484	168	858	865	116	562	-	-
Supplies	52,353	5,560	6,781	3,818	4,136	4,632	5,355	5,528	5,391	4,878	6,012	262	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>69,440</u>	<u>881</u>	<u>6,293</u>	<u>7,120</u>	<u>437</u>	<u>8,303</u>	<u>13,612</u>	<u>2,348</u>	<u>7,497</u>	<u>9,505</u>	<u>8,775</u>	<u>-</u>	<u>4,659</u>
COST RELATED TO CAPITAL ASSETS													
Depreciation	8,956	-	-	-	-	683	683	-	-	-	7,590	-	-
Interest	101,292	7,692	14,400	7,200	7,200	14,400	12,000	14,400	12,000	12,000	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	14,911	1,427	1,533	1,086	1,886	1,715	1,359	1,280	1,491	1,548	1,102	-	484
	<u>128,249</u>	<u>9,119</u>	<u>15,133</u>	<u>8,306</u>	<u>8,986</u>	<u>16,818</u>	<u>13,962</u>	<u>15,960</u>	<u>13,491</u>	<u>13,548</u>	<u>8,692</u>	<u>-</u>	<u>4,843</u>
DIETARY EXPENSE													
Salaries and wages	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-
Food	108,421	12,675	12,960	10,221	9,818	11,713	12,011	12,012	8,447	8,962	9,602	-	-
Dietary supplies	3,526	306	338	287	249	631	460	372	208	318	357	-	-
Dietician	4,865	480	440	400	440	400	380	480	400	520	925	-	-
	<u>117,613</u>	<u>13,461</u>	<u>13,788</u>	<u>10,908</u>	<u>10,507</u>	<u>12,744</u>	<u>12,851</u>	<u>12,864</u>	<u>8,855</u>	<u>9,802</u>	<u>10,584</u>	<u>-</u>	<u>-</u>
LAUNDRY AND LINEN SUPPLIES													
	9,885	1,150	1,284	975	760	857	1,023	1,011	931	822	1,072	-	-
	<u>9,885</u>	<u>1,150</u>	<u>1,284</u>	<u>975</u>	<u>760</u>	<u>857</u>	<u>1,023</u>	<u>1,011</u>	<u>931</u>	<u>822</u>	<u>1,072</u>	<u>-</u>	<u>-</u>
HOUSEKEEPING SUPPLIES													
	11,878	913	1,360	866	1,127	1,196	1,700	1,535	1,129	890	1,162	-	-
	<u>11,878</u>	<u>913</u>	<u>1,360</u>	<u>866</u>	<u>1,127</u>	<u>1,196</u>	<u>1,700</u>	<u>1,535</u>	<u>1,129</u>	<u>890</u>	<u>1,162</u>	<u>-</u>	<u>-</u>
PERSONAL CLIENT NEEDS													

THE HARMONY CENTER, INC.
 (A NOT FOR PROFIT ORGANIZATION)

BAJON ROUGE, LOUISIANA
 SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
 COMMUNITY HOMES

YEAR ENDED JUNE 30, 1999

	TOTAL	EAST	BEDFORD	ELLISALDE	GOUDCHAUX	CONVENTION	RILEY	HARMONY II	FLORIDA	MASON	CARROLLTON	CHRISTIAN	SHARED COST CENTER
Clothing	18,894	1,443	2,280	2,566	900	2,040	2,889	2,188	2,400	800	1,298	-	-
Other	16,236	2,409	2,879	1,963	789	1,417	1,023	1,450	1,052	1,448	1,806	-	-
MEDICAL AND NURSING													
Medical services	6,467	556	729	455	28	414	672	1,029	285	589	1,710	-	-
Medical supplies	3,732	194	237	568	846	821	159	325	204	95	303	-	-
Other	5,458	1,012	501	543	8	19	561	695	197	1,677	245	-	-
THERAPEUTIC AND TRAINING													
Salaries and wages	966,549	93,871	105,958	91,785	94,519	92,795	101,024	82,005	84,808	96,718	123,066	-	-
Payroll taxes	86,523	8,466	9,330	8,643	8,319	8,175	8,794	7,479	7,722	8,847	10,748	-	-
Employee benefits	57,536	6,624	8,743	6,791	8,199	1,761	3,329	5,946	3,633	5,067	7,463	-	-
Supplies	516	126	-	-	-	-	-	-	-	113	-	-	277
Other training	591,680	110,346	43,922	36,743	37,647	50,196	107,556	102,762	37,647	36,593	28,268	-	-
RECREATIONAL	20,262	2,678	1,546	2,009	2,045	2,840	2,469	2,084	1,550	1,920	1,121	-	-
CONSULTANTS	98,178	6,987	10,885	7,563	6,985	9,379	11,114	7,308	8,627	10,566	18,764	-	-
ALLOCATED EXPENSES													
Central Office cost	281,852	32,368	28,956	24,553	24,734	32,978	32,978	31,917	24,734	24,327	24,407	-	-
Shared cost	-	17,687	15,768	13,417	13,515	18,020	18,020	17,440	13,515	13,293	13,337	-	(154,012)
TOTAL EXPENSES	3,200,146	374,821	332,134	277,985	272,325	320,740	388,899	355,840	267,094	288,361	319,927	2,010	-
CHANGE IN NET ASSETS BEFORE TRANSFERS	233,204	21,096	8,013	19,564	27,397	77,871	4,471	35,206	65,024	6,337	(29,765)	(2,010)	-
OTHER CHANGE IN NET ASSETS													
Intraprogram transfers	-	121,304	(4,431)	(11,282)	(28,681)	(91,413)	19,162	30,398	(66,577)	(13,129)	16,388	28,261	-
NET ASSETS - July 1, 1998	1,447,563	87,462	41,758	119,426	91,704	206,052	280,657	134,423	149,472	102,371	190,126	39,040	5,072
NET ASSETS - June 30, 1999	\$1,680,767	\$229,862	\$45,340	\$127,708	\$90,420	\$192,510	\$304,290	\$200,027	\$147,919	\$95,579	\$176,749	\$65,291	\$5,072

R. BROWN & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

12046 Justice Avenue, Suite B.
Baton Rouge, Louisiana 70816
Telephone: (225) 296-5200
Fax: (225) 296-5201
E-Mail: REBCPA@worldnet.att.net

Richard E. Brown, C.P.A.
Terre L. Bidwell, C.P.A.

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

To the Board of Directors
The Harmony Center, Inc.

We have audited the financial statements of The Harmony Center, Inc. (a not for profit organization) as of and for the year ended June 30, 1999, and have issued our report thereon dated September 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

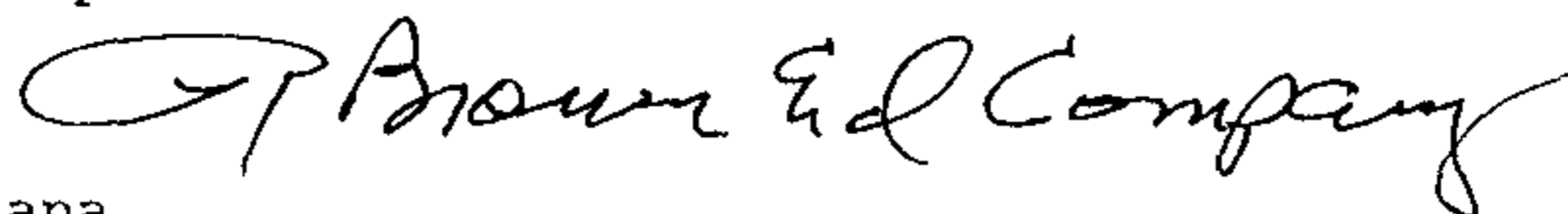
Compliance

As part of obtaining reasonable assurance about whether The Harmony Center, Inc.'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 the 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 The Harmony Center, Inc.'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 for the information of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.



Baton Rouge, Louisiana
September 30, 1999

HCI
Harmony Center, Inc.

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Residential Services

"Where Encouragement Leads to Accomplishment"

2736 Florida Boulevard

Baton Rouge, Louisiana 70802

CORRECTIVE ACTION PLAN

February 10, 2000

Legislative Auditor
State of Louisiana

The Harmony Center, Inc. respectfully submits the following corrective action plan for the year ended June 30, 1999.

Name and address of independent public accounting firm: R. Brown & Company, APC CPAs, 12046 Justice Ave. Suite B, Baton Rouge, LA 70816.

Audit period: July 1, 1998 to June 30, 1999

The findings from the June 30, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

Reportable Condition

99-1 Audit Not Completed in Accordance with LSA-R.S. 24:513

Recommendation: None.

Action Taken: The Harmony Center, Inc. will insure that the auditor submits the audit report in a timely manner.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Health & Human Services – None

If the Legislative Auditor has questions regarding this plan, please call Desiree Honore at (225) 383-9139.

Sincerely yours,

A handwritten signature in black ink that reads "Soundra J. Temple". The signature is written in a cursive style with a large, looping initial "S".

Soundra Temple
Assistance Executive Director