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POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

FINANCIAL REPORT

June 30, 1999

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 1-19-00

CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities - unrestricted	3
Statements of cash flows	4
Statement of functional expenses - year ended June 30, 1999	5
Statement of functional expenses - year ended June 30, 1998	6
Notes to financial statements	7 - 10
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	11 and 12
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDING	13 and 14
SUMMARY SCHEDULE OF PRIOR YEAR FINDING	15

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

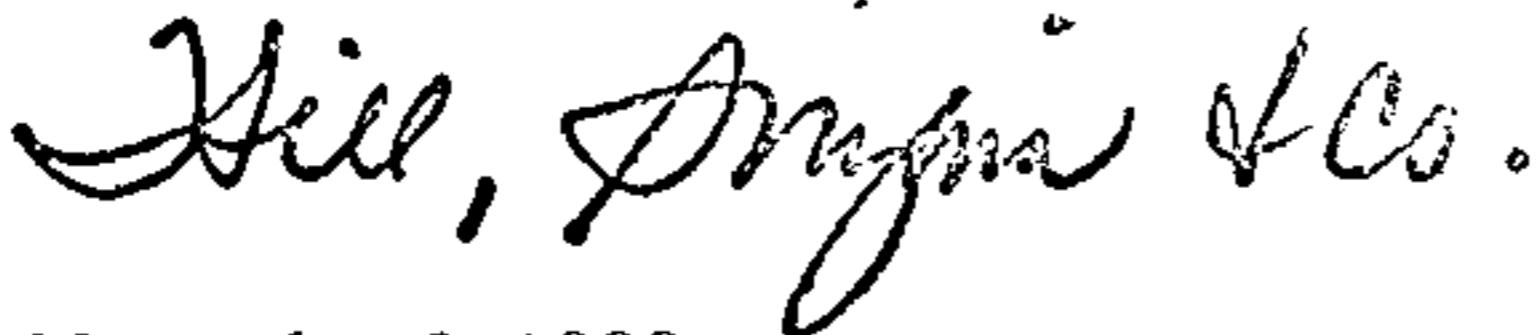
Board of Directors
Positive Mental Attitude Association, Inc.
dba Morehouse Group Home
Bastrop, Louisiana

We have audited the accompanying statements of financial position of Positive Mental Attitude Association, Inc., dba Morehouse Group Home, (a nonprofit organization) as of June 30, 1999 and 1998, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Association'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 Positive Mental Attitude Association, Inc., dba Morehouse Group Home, 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 November 2, 1999, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.



November 2, 1999

FINANCIAL STATEMENTS

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

STATEMENTS OF FINANCIAL POSITION
June 30, 1999 and 1998

	June 30,	
	1999	1998
ASSETS		
Current assets:		
Cash	\$ 6,252	\$ 22,406
Accounts receivable	25,112	22,167
Total current assets	\$ 31,364	\$ 44,573
Noncurrent assets:		
Land, building and equipment - net	\$ 67,657	\$ 53,363
Refundable utility deposits	841	841
	\$ 68,498	\$ 54,204
Total assets	\$ 99,862	\$ 98,777
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ -	\$ 2,309
Accrued payroll and related expenses	1,088	7,627
Residents' deposits	3,298	814
Current portion of long-term obligations	8,747	5,263
Total current liabilities	\$ 13,133	\$ 16,013
Long-term obligations - net of current portion	\$ 51,425	\$ 40,706
Net assets - unrestricted	\$ 35,304	\$ 42,058
Total liabilities and net assets	\$ 99,862	\$ 98,777

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

STATEMENTS OF ACTIVITIES - UNRESTRICTED
Years Ended June 30, 1999 and 1998

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
Revenues and other support:		
Louisiana Department of Social Services	\$ 271,492	\$ 299,312
JTPA reimbursements	4,693	4,292
Miscellaneous	3,718	1,701
	<u>\$ 279,903</u>	<u>\$ 305,305</u>
 Expenses:		
Program - including salaries	\$ 206,953	\$ 205,845
Management and general - excluding salaries	79,704	81,861
	<u>\$ 286,657</u>	<u>\$ 287,706</u>
 Increase (decrease) in net assets	\$(6,754)	\$ 17,599
 Net assets - unrestricted - beginning	42,058	24,459
 Net assets - unrestricted - ending	<u>\$ 35,304</u>	<u>\$ 42,058</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

STATEMENTS OF CASH FLOWS
Years Ended June 30, 1999 and 1998

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$(6,754)	\$ 17,599
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	7,217	2,858
(Increase) decrease in accounts receivable	(2,945)	2,599
Increase (decrease) in accounts payable	(2,309)	(306)
Increase (decrease) in accrued payroll and related expenses	(6,539)	(3,133)
Increase (decrease) in residents' deposits	2,484	101
Net cash flows provided (used) by operating activities	\$(8,846)	\$ 19,718
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$(21,511)	\$(946)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from director	\$ 11,440	\$ 18,886
Repayments to director	(11,440)	(21,375)
Loan proceeds	21,511	-
Repayment of long-term obligations	(7,308)	(5,002)
Net cash flows provided (used) by financing activities	\$ 14,203	\$(7,491)
Net increase (decrease) in cash	\$(16,154)	\$ 11,281
Cash - beginning	22,406	11,125
Cash - ending	\$ 6,252	\$ 22,406
SUPPLEMENTAL DISCLOSURE		
Interest paid	\$ 5,813	\$ 6,139

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 1999

	<u>Program</u>	<u>Management and General</u>	<u>Totals</u>
Insurance	\$ -	\$ 10,298	\$ 10,298
Security checks	-	30	30
Licenses	-	509	509
Office supplies	-	1,957	1,957
Printing and miscellaneous	-	693	693
Vehicle	-	2,458	2,458
Payroll taxes	-	17,871	17,871
Postage	-	357	357
Professional fees	-	4,651	4,651
Telephone	-	4,523	4,523
Training	-	400	400
Travel	-	960	960
Lawn maintenance	-	77	77
Building and grounds maintenance	-	11,588	11,588
Furniture and fixtures maintenance	-	1,388	1,388
Supplies	-	1,127	1,127
Utilities	-	5,956	5,956
Interest	-	5,813	5,813
Vehicle lease	-	1,831	1,831
Depreciation	-	7,217	7,217
Food	11,548	-	11,548
Dietary supplies	80	-	80
Dietician	75	-	75
Laundry supplies	193	-	193
Linen and bedding	358	-	358
Medical	65	-	65
Housekeeping supplies	3,205	-	3,205
Personal client needs	6,172	-	6,172
Recreation	3,988	-	3,988
First aid supplies	181	-	181
Contract psychologist	6,353	-	6,353
Salaries	<u>174,735</u>	<u>-</u>	<u>174,735</u>
	<u>\$ 206,953</u>	<u>\$ 79,704</u>	<u>\$ 286,657</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 1998

	<u>Program</u>	<u>Management and General</u>	<u>Totals</u>
Advertising	\$ -	\$ 14	\$ 14
Insurance	-	12,291	12,291
Security checks	-	80	80
Licenses	-	574	574
Office supplies	-	1,321	1,321
Printing and miscellaneous	-	1,528	1,528
Vehicle	-	5,637	5,637
Payroll taxes	-	16,622	16,622
Postage	-	341	341
Professional fees	-	4,673	4,673
Telephone	-	3,477	3,477
Training	-	163	163
Travel	-	1,340	1,340
Lawn maintenance	-	106	106
Building and grounds maintenance	-	13,626	13,626
Furniture and fixtures maintenance	-	898	898
Supplies	-	1,141	1,141
Utilities	-	5,597	5,597
Interest	-	6,139	6,139
Vehicle lease	-	3,435	3,435
Depreciation	-	2,858	2,858
Food	11,848	-	11,848
Dietary supplies	221	-	221
Laundry supplies	136	-	136
Linen and bedding	225	-	225
Housekeeping supplies	2,570	-	2,570
Personal client needs	6,539	-	6,539
Recreation	681	-	681
First aid supplies	47	-	47
Contract psychologist	15,586	-	15,586
Salaries	<u>167,992</u>	<u>-</u>	<u>167,992</u>
	<u>\$ 205,845</u>	<u>\$ 81,861</u>	<u>\$ 287,706</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 1999 and 1998

Note 1. Organization and Summary of Significant Accounting Policies

Positive Mental Attitude Association, Inc., dba Morehouse Group Home, (the "Association") is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Association was organized in 1995 to provide foster care to young men ages 12 to 18.

The financial statements of the Association have been prepared in conformity with generally accepted accounting principles. The following is a summary of the more significant policies:

Unrestricted, Temporarily Restricted, and Permanently Restricted Net Assets:

The Association does not receive gifts of cash and other assets. Accordingly, all transactions are deemed to increase unrestricted net assets.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Cash:

Cash is reported at net book value - the June 30, bank balance plus deposits in transit and less checks that have not cleared the bank as of that date.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Association's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

NOTES TO FINANCIAL STATEMENTS

Land, Building, and Equipment:

Fixed assets are recorded at historical cost. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

Depreciation of buildings and equipment is computed by the straight-line method over the following estimated services lives:

Building	30 years
Building improvements	15 - 20 years
Equipment	5 - 10 years

Revenues and Other Support:

Revenues received under governmental contract programs are recorded as revenue when the Association has incurred expenditures in compliance with the specific restrictions.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Economic Dependency

Substantially all of the Association's revenues are derived from the State of Louisiana, under its residential facility program. Funding for this program is provided by the State on a year-to-year basis, with no requirement that the program be renewed at all, or if renewed, that funding levels be maintained or increased.

The Association's contract with the State contains a number of terms regarding generic standards, residential services, etc. Management is of the opinion that the Association is in substantial compliance with those terms. Quality assurance evaluations are performed periodically by representatives of the provider agency.

NOTES TO FINANCIAL STATEMENTS

Note 3. Land, Building, and Equipment

A summary of the property held at June 30 is as follows:

	<u>1999</u>	<u>1998</u>
Land	\$ 2,500	\$ 2,500
Building	39,011	39,011
Building improvements	12,210	12,210
Equipment and vehicles	<u>29,388</u>	<u>7,877</u>
	\$ 83,109	\$ 61,598
Less accumulated depreciation	<u>(15,452)</u>	<u>(8,235)</u>
	<u>\$ 67,657</u>	<u>\$ 53,363</u>

Note 4. Long-Term Obligations

As of June 30, 1999, the Association had the following long-term obligations:

	<u>Current</u>	<u>Long-Term</u>	<u>Totals</u>
Regions Bank - mortgage note secured by land and building, bearing interest at 11.0 %, payable in monthly installments of \$770	\$ 5,128	\$ 35,180	\$ 40,308
Regions Bank - installment loan secured by vehicle, bearing interest at 7.75%, payable in monthly installments of \$435	<u>3,619</u>	<u>16,245</u>	<u>19,864</u>
	<u>\$ 8,747</u>	<u>\$ 51,425</u>	<u>\$ 60,172</u>

Maturities of the above obligations are as follows for the years ending June 30:

2000	\$ 8,747
2001	9,629
2002	10,622
2003	11,722
2004	10,737
Thereafter	<u>8,715</u>
Total	<u>\$ 60,172</u>

NOTES TO FINANCIAL STATEMENTS

As of June 30, 1998, the Association had the following long-term obligations:

	<u>Current</u>	<u>Long-Term</u>	<u>Totals</u>
Regions Bank - mortgage note secured by land and building, bearing interest at 11.0 %, payable in monthly installments of \$770	\$ 4,075	\$ 40,706	\$ 44,781
Moberly Leasing - capital lease obligation secured by office equipment, bearing interest at 8.75%, payable in monthly installments of \$104	<u>1,188</u>	<u>-</u>	<u>1,188</u>
	<u>\$ 5,263</u>	<u>\$ 40,706</u>	<u>\$ 45,969</u>

Note 5. Related Party Transactions

During the years ended June 30, 1999, and 1998, one director advanced \$11,440 and \$18,886, respectively, to the Association and all advances were repaid by each year end. No interest was paid to the director. The unpaid balance, if any, at each year end is presented as current liability, as it is expected to be repaid within the ensuing year.

The Association rented a van from one of its directors through January, 1999. The total rents paid to the director during the years ended June 30, 1999, and 1998, were \$1,831 and \$3,435, respectively.

Two of the Association's three directors are compensated for administrative duties performed as operating officers.

HILL, INZINA & COMPANY

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

Board of Directors
Positive Mental Attitude Association, Inc.
dba Morehouse Group Home
Bastrop, Louisiana

We have audited the financial statements of Positive Mental Attitude Association, Inc., dba Morehouse Group Home, (a nonprofit organization) as of and for the years ended June 30, 1999, and 1998, and have issued our report thereon dated November 2, 1999. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Association'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the

internal control over financial reporting that, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of finding as item 99-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, others within the organization, Board of Directors, and awarding agencies. It is not intended to be and should not be used by anyone other than these specified parties.

Wiel, Angier & Co.

November 2, 1999

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDING
Year Ended June 30, 1999

We have audited the financial statements of Positive Mental Attitude Association, Inc., dba Morehouse Group Home, (a nonprofit organization), as of and for the years ended June 30, 1999, and 1998, and have issued our report thereon dated November 2, 1999. 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. Our audit of the financial statements as of June 30, 1999, resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Compliance and Internal Control Material to the Financial Statements

Compliance

Compliance Material to Financial Statements Yes No

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Section II - Financial Statement Findings

1999-1 Inadequate Segregation of Duties (cited in Association's original audit as of and for the year ended June 30, 1996)

Criteria: Adequate segregation of duties is essential to proper internal control.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

Section III - Management Letter

None issued.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.
dba MOREHOUSE GROUP HOME

SUMMARY SCHEDULE OF PRIOR YEAR FINDING
Year Ended June 30, 1999

Section I - Internal Control Material to Financial Statements

1998-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to
proper internal control.

Unresolved - 1999-1.

Section II - Management Letter

None issued.