

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

RECEIVED
LEGISLATIVE AUDITOR

96 JUL -2 PM 3:04

**MENTAL HEALTH ASSOCIATION FOR
GREATER BATON ROUGE, INC.**

FINANCIAL REPORT

DECEMBER 31, 1995

(WITH COMPARATIVE TOTALS FOR 1994)

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 7-17-96

MANAGEMENT LETTER

June 20, 1996

To the Senior Management and the Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of Mental Health Association for Greater Baton Rouge, Inc. for the year ended December 31, 1995, we considered the Association's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated June 20, 1996, contains our report on reportable conditions in the Association's internal control structure. This letter does not affect our report dated June 20, 1996, on the financial statements of Mental Health Association for Greater Baton Rouge, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Association personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Accounting Manual

We noted that the Association does not have an accounting procedures manual. There may be an assumption that because the Association's accounting system is relatively simple and accounting personnel have direct and easy access to the Executive Director when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstanding, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective. Should management desire, we would be pleased to develop an accounting manual as a separate engagement.

EDP Documentation

There is a general lack of EDP system and operations documentation. Without proper documentation, management is not assured that its policies and procedures are being carried out. Particularly because there is only one bookkeeper. We believe it is critical to document the existing system in case the bookkeeper should become unavailable. In addition, documentation is an effective tool for training new personnel and providing operating instructions. We recommend that management initiate efforts to provide, and keep up to date system documentation and user instructions.

We believe that the time and cost of developing EDP documentation is one that the Association should undertake because of the importance of having documentation available. Also, once the initial documentation is developed, care should be taken to keep it up to date. Such maintenance should not be too costly or troublesome if changes to the system are documented at the time they occur.

EDP Accounting Software

We noted that the Association's current accounting software is in need of being updated or replaced. The current system does not have the capability of tracking program revenue and expenses on a fiscal year of June 30, when the Association accounts on the calendar year. In order to overcome this deficiency, the Association keeps two separate general ledgers, one for the Alliance House fund on the fiscal year of June 30 and one for the operating fund on the calendar year. Considerable effort is made each year to convert the Alliance House fund to the calendar year for financial reporting.

In addition, the land and building and the half-way house funds are not maintained on the current system. As there are relatively few transactions, the funds have been maintained with manual records. All funds should be maintained on the same accounting system in order to provide management with adequate and timely information.

In order to compensate for the inadequate accounting software, the Association's bookkeeper has had to perform numerous duplications. We recommend that the Association search for and convert to a new accounting software system that will provide for all of the weaknesses in the current system and provide management and the Board of Directors with timely and complete information. We believe that the costs of searching for, adopting and training on a new accounting software system will be returned to the Association through increased efficiency and timeliness.

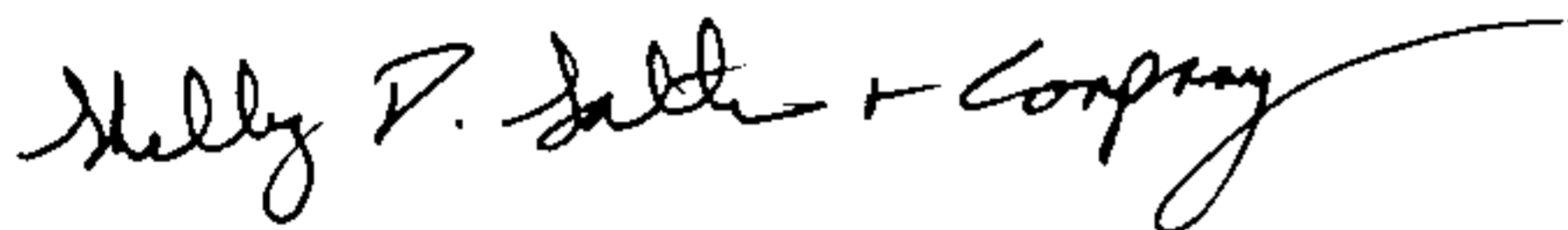
Accounting for Employee Time

The Association maintains informal information regarding the amount of time an employee spends on State and Federal Award grants and contracts. We recommend that the Association adopt a formal system to track employee time spent on these grants and contracts. Such a system would provide management with a basis in determining labor needs and would aid in determining labor costs associated with various contracts. The system should also be able to track amounts of employee time spent on various functional areas. We would be pleased to assist management in developing this type of time system.

To the Senior Management and the Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
June 20, 1996
Page 3

This report is intended solely for the information and use of the Board of Directors, management and others within the Association.

Sincerely,

A handwritten signature in cursive script that reads "Kelly P. Salters + Company". The signature is written in black ink and includes a long, sweeping horizontal line extending to the right.

CONTENTS

SECTION I--FINANCIAL STATEMENTS

Independent Auditor's Report on Financial Statements	1
Financial Statements:	
Balance Sheet	2
Statement of Support, Revenue and Expenses and Changes in Fund Balances	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11
Independent Auditor's Report on Schedule of Federal Awards	12
Schedule of Federal Awards	13

SECTION II--INTERNAL CONTROL STRUCTURE AND COMPLIANCE MATTERS

Reports Required by the Government Auditing Standards:

Independent Auditor's Report on:

Internal Control Structure based on an audit of Financial Statements performed in accordance with Government Auditing Standards	14 - 15
Compliance Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards	16

Reports Required by OMB Circular A-133:

Independent Auditor's Report on:

Internal Control Structure used in Administering Federal Awards	17 - 19
Compliance with the General Requirements Applicable to Federal Awards Programs	20 - 21
Compliance with Specific Requirements Applicable to Major Federal Awards Programs	22 - 23
Compliance with Specific Requirements Applicable to Nonmajor Federal Awards Programs	24

SECTION I
FINANCIAL STATEMENTS

SHELBY D. SALTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mental Health Association for
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying balance sheet of the Mental Health Association for Greater Baton Rouge, Inc. as of December 31, 1995, and the related statements of support, revenue and expenses and changes in fund balances, functional expenses and cash flows for the year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards; "Government Auditing Standards" issued by the Comptroller General of the United States; the provisions of Office of Management and Budget (OMB) Circular A-133 and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Mental Health Association for Greater Baton Rouge, Inc. as of December 31, 1995, and the results of its operations, changes in fund balances, functional expenses and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 20, 1996 on our consideration of Mental Health Association for Greater Baton Rouge, Inc.'s internal control structure and a report dated June 20, 1996 on its compliance with laws and regulations.



Baton Rouge, Louisiana
June 20, 1996

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

BALANCE SHEET

December 31, 1995, With Comparative Totals for 1994

ASSETS	Current Fund		Alliance House Fund
	Undesignated	Designated	
CURRENT ASSETS			
Cash and cash equivalents	\$ 94,868	\$ 25,868	\$ 1,345
Contractual reimbursements receivable (Note 2)	-	-	71,673
Contributions receivable	20,000	-	-
Interfund advances	10,851	-	-
Prepaid expenses	3,158	-	1,588
Total current assets	<u>128,877</u>	<u>25,868</u>	<u>74,606</u>
LAND, BUILDINGS AND EQUIPMENT			
Net of accumulated depreciation and amortization (Notes 4 and 5)	14,393	-	34,234
Total assets	<u>\$ 143,270</u>	<u>\$ 25,868</u>	<u>\$ 108,840</u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts payable	\$ 10,881	\$ -	\$ 37,722
Advances from Office of Mental Health	-	-	28,068
Interfund payables	-	-	10,851
Current maturities of long-term debt (Note 5)	-	-	-
Total current liabilities	<u>10,881</u>	<u>-</u>	<u>76,641</u>
LONG-TERM DEBT, less current maturities	-	-	-
FUND BALANCES			
Unrestricted			
Designated by the governing board for Special programs	-	25,868	-
Undesignated, available for general activities (deficit)	117,996	-	(2,035)
	<u>117,996</u>	<u>25,868</u>	<u>(2,035)</u>
Expended	14,393	-	34,234
Total fund balances	<u>132,389</u>	<u>25,868</u>	<u>32,199</u>
Total liabilities and fund balances	<u>\$ 143,270</u>	<u>\$ 25,868</u>	<u>\$ 108,840</u>

See Notes to Financial Statements.

Half-way Houses Fund	Land and Building Fund	Total All Funds	
		1995	1994
\$ -	\$ -	\$ 122,081	\$ 152,478
-	-	71,673	31,505
-	-	20,000	-
-	-	10,851	2,103
-	-	4,746	10,447
-	-	<u>229,351</u>	<u>196,533</u>
<u>133,557</u>	<u>398,893</u>	<u>581,077</u>	<u>611,698</u>
<u>\$ 133,557</u>	<u>\$ 398,893</u>	<u>\$ 810,428</u>	<u>\$ 808,231</u>
\$ -	\$ -	\$ 48,603	\$ 19,169
-	-	28,068	26,387
-	-	10,851	2,103
-	12,222	12,222	11,202
-	12,222	99,744	58,861
-	70,331	70,331	82,553
-	-	25,868	137,296
-	-	115,961	11,578
-	-	141,829	148,874
<u>133,557</u>	<u>316,340</u>	<u>498,524</u>	<u>517,943</u>
<u>133,557</u>	<u>316,340</u>	<u>640,353</u>	<u>666,817</u>
<u>\$ 133,557</u>	<u>\$ 398,893</u>	<u>\$ 810,428</u>	<u>\$ 808,231</u>

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

STATEMENT OF SUPPORT, REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
Year Ended December 31, 1995, With Comparative Totals for 1994

	Current Fund		Alliance
	Undesignated	Designated	House Fund
Public support and revenue:			
Public support:			
Allocated by the Capital Area United Way Building Grant	\$ 128,937	\$ -	\$ -
Contractual governmental support (Note 2)	-	-	478,792
Contributions	21,040	-	1,403
Total public support	<u>149,977</u>	<u>-</u>	<u>480,195</u>
Revenue:			
Interest income	3,165	1,306	-
Membership dues	100	-	-
Special events (Note 3)	3,764	-	-
Memorials	215	-	-
Miscellaneous	285	-	-
Total revenue	<u>7,529</u>	<u>1,306</u>	<u>-</u>
Total support and revenue	<u>157,506</u>	<u>1,306</u>	<u>480,195</u>
Expenses:			
Program services:			
Alliance House	96,051	-	476,849
Education and referral	32,017	-	-
Half-way houses	-	-	-
Total program services	<u>128,068</u>	<u>-</u>	<u>476,849</u>
Supporting services:			
Management and general	32,395	-	-
Total expenses	<u>160,463</u>	<u>-</u>	<u>476,849</u>
Excess (deficiency) of public support and revenue over expenses	(2,957)	1,306	3,346
Fund balances, beginning of year	135,346	24,562	56,296
Mortgage payments from Alliance House Fund	-	-	(19,043)
Property and equipment acquisitions from Alliance House Fund	-	-	(8,400)
Fund balances, end of year	<u>\$ 132,389</u>	<u>\$ 25,868</u>	<u>\$ 32,199</u>

See Notes to Financial Statements.

Half-way Houses Fund	Land and Building Fund	Total All Funds	
		1995	1994
\$ -	\$ -	\$ 128,937	\$ 121,068
-	-	-	8,616
-	-	478,792	401,649
-	-	22,443	1,670
<u>-</u>	<u>-</u>	<u>630,172</u>	<u>533,003</u>
-	-	4,471	4,640
-	-	100	290
-	-	3,764	1,716
-	-	215	1,575
-	-	285	68
<u>-</u>	<u>-</u>	<u>8,835</u>	<u>8,289</u>
-	-	639,007	541,292
-	-	572,900	503,430
-	-	32,017	27,536
11,129	-	11,129	11,129
<u>11,129</u>	<u>-</u>	<u>616,046</u>	<u>542,095</u>
-	17,030	49,425	40,832
<u>11,129</u>	<u>17,030</u>	<u>665,471</u>	<u>582,927</u>
(11,129)	(17,030)	(26,464)	(41,635)
144,686	305,927	666,817	708,452
-	19,043	-	-
-	8,400	-	-
<u>\$ 133,557</u>	<u>\$316,340</u>	<u>\$ 640,353</u>	<u>\$ 666,817</u>

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 1995, With Comparative Totals for 1994

	Program Services			Total Program Services
	Alliance House	Education and Referral	Half-way Houses	
Salaries	\$ 308,408	\$ 15,639	\$ -	\$ 324,047
Employee health and retirement benefits (Note 7)	45,551	5,165	-	50,716
Payroll taxes and other	<u>23,697</u>	<u>1,293</u>	<u>-</u>	<u>24,990</u>
Total salaries and related benefits	377,656	22,097	-	399,753
Supplies	17,081	1,052	-	18,133
Maintenance and repairs	25,045	1,309	-	26,354
Travel and meetings	19,016	595	-	19,611
Rent and utilities	31,139	898	-	32,037
Postage	2,076	359	-	2,435
Telephone	10,851	647	-	11,498
Insurance	11,033	1,604	-	12,637
Professional fees and contract services	8,340	1,250	-	9,590
ILP expenses	39,711	-	-	39,711
Interest expense	4,705	1,568	-	6,273
Miscellaneous	<u>12,531</u>	<u>638</u>	<u>-</u>	<u>13,169</u>
Total expenses before depreciation and amortization	559,184	32,017	-	591,201
Depreciation and amortization	<u>13,716</u>	<u>-</u>	<u>11,129</u>	<u>24,845</u>
Total expenses	<u>\$ 572,900</u>	<u>\$ 32,017</u>	<u>\$ 11,129</u>	<u>\$ 616,046</u>

See Notes to Financial Statements.

Supporting Services Management and General	Total Expenses	
	1995	1994
\$ 15,639	\$ 339,686	\$ 261,873
5,165	55,881	44,581
1,293	26,283	20,568
<u>22,097</u>	<u>421,850</u>	<u>327,022</u>
1,052	19,185	17,237
1,309	27,663	16,634
595	20,206	24,693
898	32,935	41,735
359	2,794	2,454
647	12,145	11,425
1,604	14,241	10,181
1,250	10,840	11,616
-	39,711	72,818
1,568	7,841	4,236
<u>638</u>	<u>13,807</u>	<u>5,375</u>
32,017	623,218	545,426
<u>17,408</u>	<u>42,253</u>	<u>37,501</u>
<u>\$ 49,425</u>	<u>\$ 665,471</u>	<u>\$ 582,927</u>

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 1995, With Comparative Totals for 1994

	Current Fund		Alliance House Fund
	Undesignated	Designated	
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of support and revenue over expenses	\$ (2,957)	\$ 1,306	\$ 3,346
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:			
Depreciation and amortization	8,219	-	13,716
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(20,000)	-	(40,168)
Increase (decrease) in payables	5,459	-	25,657
Other prepaids, deferrals and accruals, net	(5,318)	-	11,020
Net cash provided by (used in) operating activities	<u>(14,597)</u>	<u>1,306</u>	<u>13,571</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of land, building and improvements	-	-	-
Purchase of property and equipment	-	-	(3,234)
Net cash (used in) investing activities	<u>-</u>	<u>-</u>	<u>(3,234)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of long-term debt	-	-	-
Repayment of long-term debt	-	-	-
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents before transfers	(14,597)	1,306	10,337
Mortgage payments from Alliance House Fund	-	-	(19,043)
Property and equipment acquisitions from Alliance House fund	-	-	(8,400)
Net increase (decrease) in cash and cash equivalents	<u>(14,597)</u>	<u>1,306</u>	<u>(17,106)</u>
CASH AND CASH EQUIVALENTS:			
Beginning	<u>109,465</u>	<u>24,562</u>	<u>18,451</u>
Ending	<u>\$ 94,868</u>	<u>\$ 25,868</u>	<u>\$ 1,345</u>

See Notes to Financial Statements.

Half-way Houses Fund	Land and Building Fund	Total All Funds	
		1995	1994
\$ (11,129)	\$ (17,030)	\$ (26,464)	\$ (41,635)
11,129	9,189	42,253	37,501
-	-	(60,168)	21,168
-	-	31,116	(22)
-	-	5,702	2,293
-	(7,841)	(7,561)	19,305
-	-	-	(290,884)
-	(8,400)	(11,634)	(10,712)
-	(8,400)	(11,634)	(301,596)
-	-	-	99,000
-	(11,202)	(11,202)	(5,245)
-	(11,202)	(11,202)	93,755
-	(27,443)	(30,397)	(188,536)
-	19,043	-	-
-	8,400	-	-
-	-	(30,397)	(188,536)
-	-	152,478	341,014
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,081</u>	<u>\$ 152,478</u>

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Mental Health Association for Greater Baton Rouge, Inc. is a nonprofit Corporation organized under the laws of the State of Louisiana to promote citizen interest and activity to bring about prevention of mental illness, promotion of good mental health, and improved services for the mentally ill.

Program services are supported through allocations received from Capital Area United Way and Contractual Governmental support and grants from the State of Louisiana which amounted to \$128,937 and \$478,792, respectively. These amounted to 95% of total support and revenue for the year ended December 31, 1995. As the Association depends primarily on Contractual Governmental support, future operating results are contingent on the Association's continuing ability to secure contracts and grants from the State of Louisiana and others.

A summary of the Association's significant accounting policies follows:

Cash and cash equivalents: For purposes of reporting the statement of cash flows, the Association includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying balance sheet.

Fund accounting: To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups.

Allocation of functional expenses: The Association incurs costs that apply to more than one functional purpose. These costs have been allocated among the various functions based on estimates of the percentage of staff time spent on each function.

Recognition of donations and allocations as income: Donations and allocations from the Capital Area United Way and other organizations are recognized as income in the period in which they are received. Contributions from individuals are recognized as income in the period in which the pledge is received.

Recognition of contractual reimbursements from state government: The Association receives most of its program support from state government. The Alliance House program recovers its costs on a purchase of services basis with the State of Louisiana based on rates set by the State. Revenues are recognized when services are performed.

Membership dues: Membership dues are recognized as revenue in the applicable membership period.

Donated services: No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such services. Nevertheless, a number of volunteers have given significant amounts of their time to the Association's programs and management.

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: The Association qualifies for taxation as a nonprofit Corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes. In addition, the Association has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Land, buildings and equipment: Expenditures for the acquisition of land, buildings and equipment are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is computed by the straight-line and accelerated methods over the following useful lives:

	<u>Years</u>
Equipment	3 - 7
Vehicles	3
Buildings and improvements	25 - 40

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

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Contractual Reimbursements Receivable

Contractual governmental support and grants and contractual reimbursements receivable from the State of Louisiana and others at December 31, 1995 are as follows:

	Contractual Governmental Support Year Ended December 31, 1995	Contractual Reimbursements Receivable December 31, 1995
State of Louisiana, Office of Mental Health and Hospitals	\$ 112,017	\$ 17,381
State of Louisiana, Department of Social Services, Louisiana Rehabilitation Services - Medicaid	138,242	18,761
State of Louisiana, Department of Health and Hospitals, Independent Living Program (ILP)	57,854	9,938
State of Louisiana, Department of Social Service, Vocational Evaluation - Fee for service contract	63,935	4,388
State of Louisiana, Department of Social Service, Supported Employment Grant	43,127	8,132
State of Louisiana, Department of Social Service, Supported Employment - Fee for service contract	54,859	12,841
Others	<u>8,758</u>	<u>232</u>
	<u>\$ 478,792</u>	<u>\$ 71,673</u>

Note 3. Special Events

During December 1995, the Association held its annual golf tournament. Receipts and direct expenses of this special fund raising event are as follows:

Gross revenue	\$ 6,460
Direct expenses	<u>2,696</u>
Net revenue - golf tournament	<u>\$ 3,764</u>

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Land, Buildings and Equipment

A summary of land, buildings and equipment by fund at December 31, 1995, is as follows:

	Cost	Depreciation Allowed	Net Book Value
Current fund unrestricted:			
Equipment	\$ 57,533	\$ 43,140	\$ 14,393
Alliance House fund:			
Equipment	<u>165,737</u>	<u>131,503</u>	<u>34,234</u>
Half-way Houses fund:			
Buildings	253,298	144,741	108,557
Lease value	<u>62,500</u>	<u>37,500</u>	<u>25,000</u>
	<u>315,798</u>	<u>182,241</u>	<u>133,557</u>
Land and building fund:			
Land	74,000	-	74,000
Buildings	<u>362,950</u>	<u>38,057</u>	<u>324,893</u>
	<u>436,950</u>	<u>38,057</u>	<u>398,893</u>
	<u>\$ 976,018</u>	<u>\$ 394,941</u>	<u>\$ 581,077</u>

Depreciation expense for the year ended December 31, 1995, was \$42,253.

Note 5. Note Payable

The 8.75% mortgage payable of \$82,553 is payable in (84) monthly installments of \$1,580 including interest, through May 15, 2001 with one final installment of \$2,336 due on June 15, 2001, collateralized by land and building having a depreciated book value of \$286,875 as of December 31, 1995.

Interest expense for the year 1995 was \$7,841.

Principal payments required to be made for the next five years ending December 31, are summarized as follows:

1996	\$ 12,222
1997	13,336
1998	14,551
1999	15,876
2000	17,322
Thereafter	<u>9,246</u>
	<u>\$ 82,553</u>

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Half-way Houses

The Mental Health Association for Greater Baton Rouge, Inc., and the Division of Vocational Rehabilitation, Office of Rehabilitation Services, Department of Health and Human Resources, entered into an agreement in 1978 to provide Half-way Houses for men and women in the Baton Rouge area. The Division of Vocational Rehabilitation provided \$253,298 (80%) of the facilities' cost. The Mental Health Association provided \$62,500 (20%), representing the lease value of the site. The building and lease value are assets of the Association. The Mental Health Association obtained the site by means of a twenty-year lease, effective January, 1978, with an option to renew for ten additional years, from the City of Baton Rouge, Parish of East Baton Rouge for the consideration of operating the Half-way Houses.

The Mental Health Association leases the facilities to the Division of Vocational Rehabilitation for the consideration of their conducting, operating, and maintaining the Half-way Houses in accordance with the Louisiana Vocational Rehabilitation State Plan.

The contributed lease value of \$62,500 is being amortized and the cost of the facilities is being depreciated over the thirty-year term of the lease.

Note 7. Defined Contribution Retirement Plan and Other Benefits

The Association adopted a defined contribution retirement plan effective January 1, 1990 covering employees who have completed one year of service and who are at least 21 years of age. Contributions, which are 10% of each covered employee's compensation, totaled \$23,020 for the year ended December 31, 1995.

The Association has a tax-deferred annuity plan, wherein substantially all employees are eligible to participate. The amount contributed is equal to the amount indicated by the employee on their salary reduction agreement. Employees are immediately vested in their contribution and associated earnings.

Note 8. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Contractual reimbursements and receivables: Fair value approximates carrying value due to the short maturities of these instruments.

Note payable: Fair value approximates carrying value since stated rates are similar to rates currently available to the Association for debt with similar terms and remaining maturities.

SHELBY D. SALTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

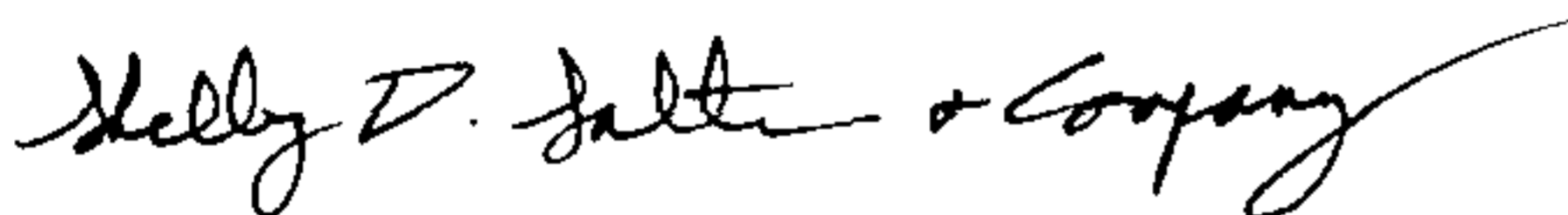
INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1995, and have issued our report thereon dated June 20, 1996. These financial statements are the responsibility of management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; "Government Auditing Standards", issued by the Comptroller General of the United States; the provisions of Office of Management and Budget (OMB) Circular A-133, and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Mental Health Association for Greater Baton Rouge, Inc., taken as whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Baton Rouge, Louisiana
June 20, 1996

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

SCHEDULE OF FEDERAL AWARDS

Year ended December 31, 1995

	<u>Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
Major	Basic Support - Grant for vocational evaluations for the chronically mentally ill	84.126A	State of Louisiana, Department of Social Services	\$ 67,760
Major	Basic Support - Supported Employment Program	84.126A	State of Louisiana, Department of Social Services	68,948
Non- major	Independent Living Program	93.958	State of Louisiana, Department of Health and Hospitals	<u>71,219</u>
				<u>\$ 207,927</u>

SECTION II
INTERNAL CONTROL STRUCTURE
AND COMPLIANCE MATTERS

SHELBY D. SALTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL STRUCTURE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1995, and have issued our report thereon dated June 20, 1996.

We conducted our audit in accordance with generally accepted auditing standards; "Government Auditing Standards" issued by the Comptroller General of the United States; the provisions of Office of Management and Budget (OMB) Circular A-133 and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Mental Health Association for Greater Baton Rouge, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Mental Health Association for Greater Baton Rouge, Inc. for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable conditions noted are as follows:

- a. Absence of appropriate segregation of duties consistent with appropriate control objectives.
- b. Absence of appropriate review and approvals of accounting entries and systems output.
- c. Inadequate procedures for determining accuracy of systems input and output.

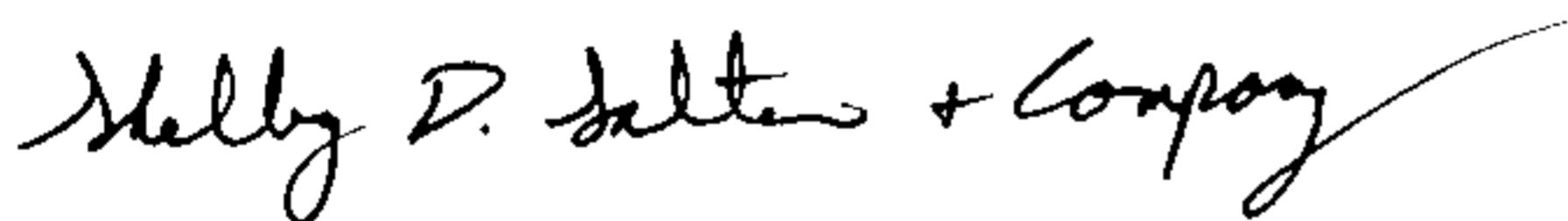
A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Mental Health Association for Greater Baton Rouge, Inc. for the year ended December 31, 1995.

The reportable conditions noted above are considered to be material weaknesses.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Mental Health Association for Greater Baton Rouge, Inc. in a separate letter dated June 20, 1996.

This report is intended for the information of the Board of Directors, management, the State of Louisiana, Department of Health and Hospitals, Office of Human Services, the Division of Administration and the Office of the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, Louisiana
June 20, 1996

SHELBY D. SALTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1995, and have issued our report thereon dated June 20, 1996.

We conducted our audit in accordance with generally accepted auditing standards, "Government Auditing Standards" issued by the Comptroller General of the United States; the provisions of Office of Management and Budget (OMB) Circular A-133 and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Mental Health Association of Greater Baton Rouge, Inc. is the responsibility of Mental Health Association for Greater Baton Rouge, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Mental Health Association for Greater Baton Rouge, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Reportable noncompliance findings consist of irregularities and illegal acts that are not clearly inconsequential and instances of other noncompliance that are material to the financial statements. Irregularities are intentional misstatements or omissions of amounts or disclosures in financial statements. Illegal acts are violations of laws and regulations. Instances of other noncompliance include failures to follow requirements or violations of prohibitions contained in contracts or grant agreements that cause us to conclude the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed no reportable noncompliance findings.

This report is intended for the information of the Board of Directors, management, the State of Louisiana, Department of Health and Hospitals, Office of Human Services, the Division of Administration, and the Office of the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, Louisiana
June 20, 1996

SHELBY D. SALTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS**

Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1995, and have issued our report thereon dated, June 20, 1996. We have also audited the compliance of Mental Health Association for Greater Baton Rouge, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated June 20, 1996.

We conducted our audit in accordance with generally accepted auditing standards; "Government Auditing Standards", issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions and the Louisiana Governmental Audit Guide. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Mental Health Association for Greater Baton Rouge, Inc. complied with laws and regulations, non-compliance with which would be material to a major federal award program.

In planning and performing our audit for the year ended December 31, 1995, we considered the internal control structure of Mental Health Association for Greater Baton Rouge, Inc. in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of Mental Health Association for Greater Baton Rouge, Inc. and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated June 20, 1996.

The management of Mental Health Association of Greater Baton Rouge, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal award programs in the following categories:

Revenues and Receivables
Disbursements and Payables
Employee Compensation and Payroll

For all of the internal control structure categories listed in the preceding paragraph, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1995, Mental Health Association for Greater Baton Rouge, Inc. expended 62% percent of its total federal awards under major federal award programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of Mental Health Association for Greater Baton Rouge, Inc.'s major federal award programs, which are identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on the internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Mental Health Association for Greater Baton Rouge, Inc.'s ability to administer federal award programs in accordance with applicable laws and regulations.

The reportable conditions noted are as follows:

- a. Absence of appropriate segregation of duties consistent with appropriate control objectives.
- b. Absence of appropriate review and approvals of accounting entries and systems output.
- c. Inadequate procedures for determining accuracy of systems input and output.

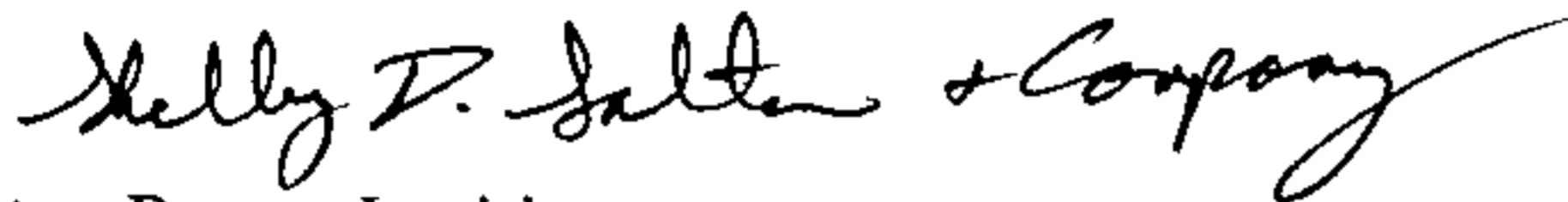
A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of Mental Health Association of Greater Baton Rouge, Inc. with requirements applicable to its major federal award programs for the year ended December 31, 1995, and this report does not affect our report there on dated June 20, 1996.

The reportable conditions noted above are considered to be material weaknesses.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Mental Health Association for Greater Baton Rouge, Inc. in a separate letter dated June 20, 1996.

This report is intended for the information of the Board of Directors, management, the State of Louisiana, Department of Health and Hospitals, Office of Human Services, the Division of Administration, and the Office of the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, Louisiana
June 20, 1996

SHELBY D. SALTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AWARD PROGRAMS**

Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1995, and have issued our report thereon dated June 20, 1996.

We have applied procedures to test Mental Health Association for Greater Baton Rouge, Inc.'s compliance with the following requirements applicable to its federal award programs, which are identified in the Schedule of Federal Awards for the year ended December 31, 1995.

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Mental Health Association for Greater Baton Rouge, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Mental Health Association for Greater Baton Rouge, Inc., had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of the Board of Directors, management, the State of Louisiana, Department of Health and Hospitals, Office of Human Services, the Divisions of Administration, and the Office of the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Shelby D. Satter & Company

Baton Rouge, Louisiana
June 20, 1996

SHELBY D. SALTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL AWARDS PROGRAMS**

Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

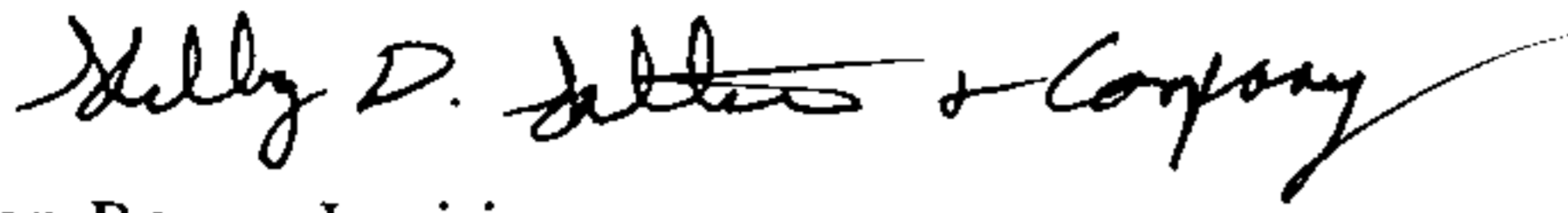
We have audited the financial statements of Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1995, and have issued our report thereon dated June 20, 1996.

We have also audited Mental Health Association for Greater Baton Rouge, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal awards programs, which are identified in the accompanying Schedule of Federal Awards for the year ended December 31, 1995. The management of Mental Health Association for Greater Baton Rouge, Inc. is responsible for the Mental Health Association for Greater Baton Rouge, Inc.'s compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the specific requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about Mental Health Association for Greater Baton Rouge, Inc.'s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion. The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to in the second paragraph.

In our opinion, Mental Health Association for Greater Baton Rouge, Inc. complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its major federal awards programs for the year ended December 31, 1995.

This report is intended for the information of the Board of Directors, management, the State of Louisiana, Department of Health and Hospitals, Office of Human Services, the Division of Administration and the Office of the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, Louisiana
June 20, 1996

SHIELBY D. SALTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARDS PROGRAMS**

Board of Directors
Mental Health Association for Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of the Mental Health Association for Greater Baton Rouge, Inc., as of and for the year ended December 31, 1995, and have issued our report thereon dated June 20, 1996.

In connection with our audit of the financial statements of the Mental Health Association for Greater Baton Rouge, Inc., and with our consideration of Mental Health Association for Greater Baton Rouge, Inc.'s control structure used to administer federal award programs, as required by Office of Management and Budget Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions we selected certain transactions applicable to certain nonmajor federal award programs for the year ended December 31, 1995.

As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; special tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Mental Health Association for Greater Baton Rouge, Inc.'s compliance with those requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Mental Health Association for Greater Baton Rouge, Inc. had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of the Board of Directors, management, the State of Louisiana, Department of Health and Hospitals, Office of Human Services, the Division of Administration, and the Office of the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, Louisiana
June 20, 1996