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POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba WAREHOUSE GROUP HOME

FINANCIAL REPORT

JUNE 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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.

Invoice Date 6/11/98

6/11/98 11:52:05  
11/11/98 11:52:05

HILL, INZINA & COMPANY

Certified Public Accountants • A Professional Corporation  
201 East Madison Avenue • P.O. Box 931 • Baton Rouge, Louisiana 71221-0931  
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# HILL, INZINA & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON THE 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, 1997 and 1996, 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 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, 1997 and 1996, and the changes in 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 December 3, 1997, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

December 3, 1997

*Hill, Inzina & Co.*

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
*dba* MORGENTHAU GROUP HOME

STATEMENTS OF FINANCIAL POSITION  
 June 30, 1997 and 1996

	June 30,	
ASSETS	1997	1996
<b>Current assets</b>		
Cash (Note 1)	\$ 11,138	\$ 8,571
Accounts receivable	<u>24,766</u>	<u>28,853</u>
Total current assets	<u>\$ 35,904</u>	<u>\$ 37,424</u>
<b>Noncurrent assets:</b>		
Land, building and equipment - net (Notes 1 and 2)	\$ 55,275	\$ 58,900
Refundable deposits	<u>841</u>	<u>841</u>
Total assets	<u>\$ 91,920</u>	<u>\$ 96,165</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,615	\$ 897
Accrued payroll and related expenses	10,780	6,361
Due to director (Note 4)	1,489	887
Residents' deposits	718	1,117
Current portion of long-term obligations (Note 3)	<u>5,899</u>	<u>9,512</u>
Total current liabilities	<u>\$ 21,521</u>	<u>\$ 19,774</u>
Long-term obligations (net of current portion) (Note 3)	<u>\$ 45,927</u>	<u>\$ 31,649</u>
Net assets - unrestricted (Note 1)	<u>\$ 24,472</u>	<u>\$ 31,542</u>
Total liabilities and net assets	<u>\$ 91,920</u>	<u>\$ 96,165</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
*the WAREHOUSE GROUP HOME*

STATEMENTS OF ACTIVITIES  
 Years Ended June 30, 1997 and 1996

	Year Ended June 30,	
	1997	1996
<b>Revenues and other support:</b>		
Louisiana Department of Social Services	\$ 287,120	\$ 276,923
JTPA reimbursements	3,189	4,219
Miscellaneous	258	-
	<u>\$ 290,567</u>	<u>\$ 281,132</u>
<b>Expenses:</b>		
Program (including salaries)	\$ 219,728	\$ 187,084
Management and general (including salaries)	75,128	82,132
	<u>\$ 294,857</u>	<u>\$ 269,216</u>
<b>Increase (decrease) in net assets</b>	<b>\$ 4,370</b>	<b>\$ 31,727</b>
<b>Net assets - unrestricted - beginning (deficit)</b>	<b>31,344</b>	<b>( 183)</b>
<b>Prior period adjustment (Note 4)</b>	<b>( 2,212)</b>	<b>-</b>
<b>Net assets - unrestricted - ending</b>	<b><u>\$ 33,452</u></b>	<b><u>\$ 31,344</u></b>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
 (the MOREHOUSE GROUP HOME)

STATEMENTS OF CASH FLOWS  
 Years Ended June 30, 1997 and 1996

	Year Ended June 30,	
	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$( 4,300)	\$ 31,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,877	2,947
Loss on disposition of property and equipment	749	-
(Increase) decrease in accounts receivable	3,287	( 28,853)
(Increase) decrease in prepaid expense	-	2,687
Increase (decrease) in accounts payable	1,638	977
Increase (decrease) in accrued payroll and related expenses	4,699	6,781
Increase (decrease) in residents' deposits	( 488)	1,137
Net cash flows from operating activities	<u>\$ 8,275</u>	<u>\$ 17,285</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ -	\$( 15,485)
Decrease in refundable deposits	-	( 288)
Net cash flows from (used by) investing activities	<u>\$ -</u>	<u>\$ (15,773)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from director	\$ -	\$ 8,725
Repayments to director	( 1,112)	( 5,838)
Proceeds of lease obligations	-	4,390
Repayments of long-term obligations	( 5,618)	( 26,880)
Net cash flows used by financing activities	<u>\$ ( 5,722)</u>	<u>\$ ( 21,722)</u>
Net increase (decrease) in cash	<u>\$ 2,553</u>	<u>\$ ( 20,347)</u>
Cash - beginning	<u>8,221</u>	<u>28,218</u>
Cash - ending	<u>\$ 10,774</u>	<u>\$ 7,871</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
the MOORHOUSE GROUP HOME

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 1997

	Program	Management and Clerical	Totals
Insurance	\$ -	\$ 13,599	\$ 13,599
Medical and education	-	822	822
Security checks	-	106	106
Licenses	-	568	568
Office supplies	-	2,222	2,222
Printing and miscellaneous	-	179	179
Vehicle	-	4,173	4,173
Payroll taxes	-	16,309	16,309
Postage	-	242	242
Professional fees	-	4,649	4,649
Telephone	-	2,165	2,165
Training	-	483	483
Travel	-	1,195	1,195
Lawn maintenance	-	167	167
Building and grounds maintenance	-	4,881	4,881
Furniture and fixtures maintenance	-	1,170	1,170
Supplies	-	3,189	3,189
Utilities	-	3,983	3,983
Interest	-	3,998	3,998
Vehicle lease	-	3,170	3,170
Depreciation	-	2,877	2,877
Penalties	-	379	379
Loss on disposition of assets	-	749	749
Food	11,021	-	11,021
Dietary supplies	147	-	147
Contract dentists	21	-	21
Laundry supplies	369	-	369
Lawn and building	368	-	368
Housekeeping supplies	3,140	-	3,140
Personal client needs	4,932	-	4,932
Recreation	4,810	-	4,810
First aid supplies	193	-	193
Contract psychologist	21,580	-	21,580
Salaries	171,867	-	171,867
	<u>\$ 218,728</u>	<u>\$ 75,129</u>	<u>\$ 293,857</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
 dba WAREHOUSE GROUP HOME

STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended June 30, 1996

	Program	Management and General	Total
Advertising	\$ -	\$ 49	\$ 49
Insurance	-	8,138	8,138
Medical	-	1,256	1,256
Security checks	-	338	338
Licenses	-	1,666	1,666
Office supplies	-	2,006	2,006
Printing and miscellaneous	-	845	845
Vehicle	-	2,348	2,348
Payroll taxes	-	13,680	13,680
Postage	-	340	340
Professional fees	-	9	9
Telephone	-	2,064	2,064
Training	-	480	480
Taxiel	-	481	481
Lease maintenance	-	418	418
Building and grounds maintenance	-	6,178	6,178
Utilities	-	5,837	5,837
Interest	-	8,335	8,335
Vehicle lease	-	2,642	2,642
Depreciation	-	2,543	2,543
Property taxes	-	147	147
Food	11,055	-	11,055
Dietary supplies	504	-	504
Contract dietitian	159	-	159
Laundry supplies	372	-	372
Linens and bedding	480	-	480
Housekeeping supplies	2,334	-	2,334
Personal client needs	947	-	947
Recreation	420	-	420
First aid supplies	66	-	66
Contract psychologist	28,383	-	28,383
Salaries	150,524	-	150,524
	<u>\$ 187,084</u>	<u>\$ 62,322</u>	<u>\$ 248,406</u>

See notes to financial statements.



POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

NOTES TO FINANCIAL STATEMENTS

**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. In addition, the Association has been determined by the Internal Revenue Service to be a private foundation within the meaning of Section 509(a) of the 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.

**Plant Assets:**

Plant 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.

## NOTES TO FINANCIAL STATEMENTS

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

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

### Revenues and Other Support:

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

### 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 these estimates.

### Note 2: Land, Building and Equipment

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

	1982	1981
Land	\$ 2,500	\$ 2,500
Building	39,011	39,011
Building improvements	11,264	11,264
Equipment	<u>3,877</u>	<u>8,638</u>
	\$ 60,652	\$ 61,413
Less accumulated depreciation	<u>3,777</u>	<u>3,547</u>
	<u>\$ 56,875</u>	<u>\$ 57,866</u>

**NOTES TO FINANCIAL STATEMENTS**

**Note B. Long-Term Obligations**

As of June 30, 1997, the Association had the following long-term obligations:

	Current	Long-Term	Totals
West Carroll National Bank - mortgage note secured by land and building, bearing interest at 11.0 %, payable in monthly installments of \$770	\$ 3,550	\$ 44,828	\$ 48,378
Liberty Leasing - capital lease obligation secured by office equipment, bearing interest at 8.75%, payable in monthly installments of \$104	<u>1,388</u>	<u>1,331</u>	<u>2,719</u>
	<u>\$ 3,044</u>	<u>\$ 45,827</u>	<u>\$ 50,971</u>

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

1998	\$ 3,044
1999	3,614
2000	4,854
2001	5,545
2002	6,205
Thereafter	23,609

As of June 30, 1996, the Association had the following long-term obligations:

	Current	Long-Term	Totals
West Carroll National Bank - mortgage note secured by land and building, bearing interest at 11.0 %, payable in monthly installments of \$770	\$ 3,814	\$ 48,772	\$ 52,586
Liberty Leasing - capital lease obligation secured by office equipment, bearing interest at 8.75%, payable in monthly installments of \$104	<u>288</u>	<u>2,277</u>	<u>2,565</u>
	<u>\$ 4,102</u>	<u>\$ 51,049</u>	<u>\$ 55,151</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Related Party Transactions

During the year ended June 30, 1996, one director advanced \$6,725 to the Association, of which \$3,838 had been repaid by year end.

A prior period adjustment of \$2,715 was made during the year ended June 30, 1997, to increase the amount owed to one director for expenditures incurred in previous years by the director on the Association's behalf but not recorded at such time. \$3,312 was repaid to the director during the year ended June 30, 1997, with no additional advances made. No interest has been paid to the director. The unpaid balance at each year end has been presented as a current liability, as it is expected to be repaid within the ensuing year.

The Association rents a van from one of its directors. The total rents paid to the director during the years ended June 30, 1997 and 1996, were \$3,176 and \$2,642, respectively.

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

**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.  
28a Marquette Group Home  
Bastrop, Louisiana

We have audited the financial statements of Positive Mental Attitude Association, Inc., 28a Marquette Group Home, a nonprofit organization) as of and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated December 2, 1997. 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, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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. 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.

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 noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a material weakness which is described in the accompanying schedule of findings.

This report is intended for the information of management, Board of Directors and applicable state grantor agencies. However, this report is a matter of public record and its distribution is not limited.

December 2, 1997

*Price, Pappas & Co.*

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOOREHOUSE GROUP HOME

SCHEDULE OF FINDINGS  
For the Year Ended June 30, 1997

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:	We concur in the finding.