

**INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL STRUCTURE  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Positive Mental Attitude Association, Inc., dba Morpheus Group Home, (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated February 13, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Positive Mental Attitude Association, Inc., dba Morpheus Group Home, 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.

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

STATEMENT OF CASH FLOWS  
 Year Ended June 30, 1998

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 31,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,547
(Increase) decrease in accounts receivable	( 28,053)
(Increase) decrease in prepaid expense	2,687
(Increase) decrease in accounts payable	977
(Increase) decrease in accrued payroll and other expenses	6,261
Net cash flows from operating activities	<u>\$ 35,146</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	\$( 15,489)
Decrease in refundable deposits	( 189)
Net cash flows used by investing activities	<u>\$( 15,678)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Advances from director	\$ 6,723
Repayments to director	( 8,838)
Proceeds of lease obligations	4,196
Repayment of long-term obligations	( 26,829)
Net cash flows used by financing activities	<u>\$( 21,729)</u>

Net increase (decrease) in cash and cash equivalents \$( 21,464)

Cash and cash equivalents - beginning 38,918

Cash and cash equivalents - ending \$ 17,454

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MORRISHOUSE GROUP HOME

STATEMENT OF ACTIVITIES  
Year Ended June 30, 1995

Louisiana Department of Social Services	\$ 278,823
JTPA reimbursements	<u>4,310</u>
	\$ <u>283,133</u>
Expenses:	
Program (including salaries)	\$ 187,884
Management and general (excluding salaries)	<u>62,372</u>
	\$ <u>248,456</u>
Increase in net assets	\$ 34,677
Net assets - unrestricted - beginning (deficit)	( <u>183</u> )
Net assets - unrestricted - ending	\$ <u>34,494</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

STATEMENT OF FINANCIAL POSITION  
June 30, 1996

ASSETS

Current assets:	
Cash and cash equivalents (Note 1)	\$ 7,434
Accounts receivable	<u>28,053</u>
Total current assets	\$ <u>35,507</u>
Noncurrent assets:	
Land, building and equipment (Notes 1 and 2)	\$ 58,902
Refundable deposits	<u>843</u>
	\$ <u>59,745</u>
Total assets	\$ <u>95,252</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 977
Accrued payroll and other expenses	6,361
Due to director	887
Current portion of long-term obligations (Note 3)	<u>4,532</u>
Total current liabilities	\$ <u>12,697</u>
Long-term obligations (net of current portion) (Note 3)	\$ <u>31,048</u>
Net assets - unrestricted (Note 1)	\$ <u>71,544</u>
Total liabilities and net assets	\$ <u>95,250</u>

See notes to financial statements.

# HILL, INZINA & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors  
Positive Mental Attitude Association, Inc.  
c/o Marshouse Group Home  
Bastrop, Louisiana

We have audited the accompanying statement of financial position of Positive Mental Attitude Association, Inc., c/o Marshouse Group Home, (a nonprofit organization) as of June 30, 1996, and the related statements of activities, cash flows and functional expenses 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 and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Positive Mental Attitude Association, Inc., c/o Marshouse Group Home, as of June 30, 1996, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated February 13, 1997, on the Association's compliance with laws and regulations and on our consideration of its internal control structure, which are presented on pages 9 and 10 and pages 11 through 13, respectively, of this document.

*Hill, Inzina & Co.*

February 13, 1997

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POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
 aka MOREHOUSE GROUP HOME

FINANCIAL REPORT

JUNE 30, 1966

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 Boston Room office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-2-97

**L. INZINA & COMPANY**

Certified Public Accountants • A Professional Corporation  
 701 East Madison Avenue • P. O. Box 621 • Metairie, Louisiana 70006  
 Telephone 214-283-4800 • Telex 74111

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MARRIHOUSE GROUP HOME

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Positive Mental Attitude Association, Inc., dba Marrihouse Group Home, (the "Association") is a nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Association was organized in 1985 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 and Cash Equivalents:

The Association considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

Cash is reported at net book value - the June 30, 1996, 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

### Note 2. Land, Building and Equipment

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

Land	\$ 2,500
Building	38,011
Building improvements	11,364
Equipment	<u>8,624</u>
	\$ 61,499
Less accumulated depreciation	<u>35,617</u>
	<u>\$ 25,882</u>

### Note 3. Long-Term Obligations

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

	Current	Long-Term
West Carroll National Bank - mortgage note secured by land and building, bearing interest at 11.0 percent, payable in monthly installments of \$370.	\$ 3,514	\$ 48,773
Mobley Leasing - capital lease obligation secured by office equipment, payable in monthly installments of \$104	<u>298</u>	<u>2,271</u>
	<u>\$ 3,812</u>	<u>\$ 51,044</u>

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

1997	\$ 4,512
1998	5,844
1999	5,614
2000	4,854
2001	5,545
Thereafter	34,893

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Related Party Transactions

During the year ended June 30, 1996, one director advanced \$8,725 to the Association, of which \$5,838 had been repaid by year end. No interest was paid to the director. The unpaid balance has been presented as a current liability, as it is expected to be repaid within the coming year.

The Association rents a van from one of its directors. The total rents paid to the director during the year ended June 30, 1996, were \$2,642.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
 dba MOREHOUSE GROUP HOME

STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended June 30, 1995

	Program	Management and General	Totals
	\$	\$	\$
Advertising	-	48	48
Incentive	-	9,138	9,138
Medical	-	1,256	1,256
Security checks	-	318	318
Licenses	-	1,866	1,866
Office supplies	-	2,806	2,806
Printing and miscellaneous	-	843	843
Vehicle	-	3,548	3,548
Payroll taxes	-	13,890	13,890
Postage	-	240	240
Professional fees	-	9	9
Telephone	-	3,864	3,864
Training	-	480	480
Travel	-	491	491
Lawn maintenance	-	418	418
Building and grounds maintenance	-	6,178	6,178
Utilities	-	5,837	5,837
Interest	-	8,333	8,333
Vehicle lease	-	2,942	2,942
Depreciation	-	2,547	2,547
Property taxes	-	147	147
Food	11,955	-	11,955
Dietary supplies	504	-	504
Contract dietitian	159	-	159
Laundry supplies	273	-	273
Linens and bedding	450	-	450
Housekeeping supplies	2,324	-	2,324
Personal client needs	947	-	947
Recreation	420	-	420
First aid supplies	98	-	98
Contract psychologist	28,333	-	28,333
Salaries	150,338	-	150,338
	<u>\$ 387,084</u>	<u>\$ 63,332</u>	<u>\$ 450,416</u>

See notes to financial statements.

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.

February 11, 1997

*Hill, Ogden & Co.*

In planning and performing our audit of the financial statements of Positive Mental Attitude Association, Inc., dba Mirohouse Group Home, for the year ended June 30, 1994, 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 a certain matter involving the internal control structure and its operation that we consider to be a reportable condition 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 Association's ability to record, process, summarize and report financial data in a manner that is consistent with the assertions of management in the financial statements.

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 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 matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of Positive Mental Attitude Association, Inc., dba Mirohouse Group Home, for the year ended June 30, 1994.

• <b>Criteria:</b>	<i>Adequate segregation of duties is essential to a proper internal control structure.</i>
<b>Condition:</b>	<i>The segregation of duties is inadequate to provide effective internal control.</i>
<b>Cause:</b>	<i>The condition is due to economic and space limitations.</i>
<b>Effect:</b>	<i>Not determined.</i>
<b>Recommendation:</b>	<i>No action is recommended.</i>
<b>Management's response:</b>	<i>We concur in the finding.</i>

*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.*

*Price, Morgan & Co.*

February 13, 1997

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS  
AND REGULATIONS REQUIRED BY GOVERNMENT ACCOUNTING STANDARDS**

Board of Directors  
Positive Mental Attitude Association, Inc.  
The Moonhouse Group Home  
Baton Rouge, Louisiana

We have audited the financial statements of Positive Mental Attitude Association, Inc., *The Moonhouse Group Home*, (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated February 13, 1999.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. These 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 Positive Mental Attitude Association, Inc., *The Moonhouse Group Home*, is the responsibility of the Association's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Association'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.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, except for:

- The audited financial statements and reports of the Association as of and for the year ended June 30, 1998, were issued subsequent to the December 31, 1998, deadline due to the untimely provision of information by Association employees for the auditors to complete their fieldwork.