

ERP 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 fund and building, and the half-way house funds are not maintained on the current system. As there are relatively few transactions, the fund has 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.

Fund Accounting

The Association was required to adopt SFAS No. 117 "Financial Statements of Not-For-Profit Organizations" this year. Under this new standard, the Association is required to report its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted and permanently restricted). Accordingly, the Association no longer needs to maintain its fund accounting system. All financial resources can now be accounted for in one set of books and one bank account. This will simplify the accounting function as well as the audit process.

Fiscal Year

The Association is currently reporting on a calendar year. Most revenues are from statements and grants which are accounted for on a June 30 fiscal year. Since the majority of your operations follow a normal June 30 year end cycle, we recommend that you change to a June 30 year end for financial reporting purposes.

Using Paid Bills

Most organizations use vendor files to file paid invoices and check copies. Using vendor files makes it much easier to locate copies of paid items for later examination and research. Currently, the Association files paid bills in date order as checks are issued. This makes

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

Notes to Financial Statements, Continued

December 31, 1996

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

<u>Years Ending December 31,</u>	
1997	\$ 16,268
1998	17,715
1999	17,877
2000	17,877
2001	9,344
	<u>\$ 79,081</u>

6. Half Way Homes

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 Homes 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 Homes.

The Mental Health Association leased the facilities to the Division of Vocational Rehabilitation for the consideration of their conducting, operating, and maintaining the Half Way Homes in accordance with the Louisiana Vocational Rehabilitation State Plan through August 31, 1996. Effective August 15, 1996, the MHA began to operate the facility.

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.

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 \$21,320 and \$1,820 for the years ended December 31, 1996 and 1995, respectively.

Greater Baton Rouge, Inc.'s ability to administer Federal award programs in accordance with applicable laws and regulations.

The reportable conditions noted in prior years are repeated this year and 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, the reportable conditions noted above are considered 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 The Mental Health Association for Greater Baton Rouge, Inc. with requirements applicable to its major federal award programs for the year ended December 31, 1996 and this report does not affect our report thereon dated June 3, 1997.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Mental Health Association for Greater Baton Rouge, Inc. in a separate letter dated June 3, 1997.

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.

PROVOST, SAUTER, HARPER & ALFORD, L.L.C.

Provost, Sauter, Harper & Alford, L.L.C.

June 3, 1997

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.

PROYDST, SALTER, HARPER & ALFORD, L.L.C.

Proydst, Salter, Harper & Alford, L.L.C.

June 3, 1997

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD 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, 1996 and have issued our report thereon dated June 3, 1997.

We have also audited the Mental Health Association for Greater Baton Rouge, Inc.'s compliance with the requirements governing types of services allowed or unallowed, eligibility, and claims for advances and reimbursements, 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, 1996. The management of the Mental Health Association for Greater Baton Rouge, Inc. is responsible for the Mental Health Association for Greater Baton Rouge, Inc.'s compliance with these requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with these 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 "Audit of Activities of Higher Education and Other Nonprofit Institutions". 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 requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Mental Health Association for Greater Baton Rouge, Inc.'s compliance with these 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, the 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, 1994.

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.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

June 3, 1997

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

Notes to Financial Statements**December 31, 1995****1. Nature of Activities and Significant Accounting Policies**

Nature of Activities. The Mental Health Association for Greater Baton Rouge, Inc. (MHA) 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 \$135,384 and \$584,791, and \$128,997 and \$478,792 for the years ended December 31, 1995 and 1994, respectively. These amounted to 96% and 97% of total support and revenues for the year ended December 31, 1995 and 1994, respectively. 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.

Financial Statement Presentation. In 1996, MHA adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, MHA is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. As permitted by this new standard, MHA has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present classes of net assets. The reclassification had no cumulative effect on the change in net assets for the year ended December 31, 1995.

MHA also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions made," in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The adoption had no cumulative effect on net assets at the date of the adoption. In addition, MHA has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.



June 3, 1997

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, 1996, 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 3, 1997, contains our report on reportable conditions in the Association's internal control structure. This letter does not affect our report dated June 3, 1997, 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 and EDP Documentation

We noted last year, that the Association did not have a manual to document accounting procedures or EDP processing. Since then, the staff produced a manual that has some of the documentation needed. However, we believe it can be improved. Specifically, there is a need for detail documentation for processing cash receipts, cash disbursements, billings, general ledger entries, adjustments, preparing financial statements, and processing all of the data through the computer system. A detail manual will help to insure that transactions are processed in accordance with management's instructions and are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles.



June 3, 1997

To the 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. for the year ended December 31, 1996, and have issued our report thereon dated June 3, 1997. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 1997, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Mental Health Association for Greater Baton Rouge, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Mental Health Association for Greater Baton Rouge, Inc. are described in Note 1 to the financial statements. The Association did adopt SFAS 116 and 117, effective January 1, 1996, which is explained in the footnotes to the financial statements. There were no other changes in existing significant accounting policies and procedures during the current year which should be brought to your attention. We noted no

locating a paid item very difficult. We recommend that you start using files for each vendor. Another problem that the current system causes is that bills are often paid late, which means that service charges are incurred. We believe that improving the filing system will also help you stay current with your vendors.

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

Procyost, Salter, Harper & Alford, L.L.C.

PROCYOST, SALTER, HARPER & ALFORD, L.L.C.

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

*Notes to Financial Statements, Continued**December 31, 1986*

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 statements of financial position.

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 Fees. Membership fees are recognized as revenue in the applicable membership period.

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 as 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.

	Years
Equipment	3 - 7
Vehicles	5
Buildings and improvements	25 - 40

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

*Notes to Financial Statements, Continued**December 31, 1996*

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.

Fair Value of Financial Instruments. The Association has a number of financial instruments, none of which are held for trading purposes. The Association estimates that the fair value of all financial instruments at December 31, 1996 and 1995 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Association using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Association could realize in a current market exchange.

2. Contractual Reimbursements Receivable

	Contractual Governmental Support Year Ended December 31, 1996	Contractual Reimbursements Receivable December 31, 1996
State of Louisiana		
Office of Mental Health and Hospitals	\$ 160,940	\$ 16,508
Department of Social Services, Louisiana Rehabilitation Services - Medical	198,303	60,889
Department of Health and Hospitals, Independent Living Program (ILP)	81,396	4,197
Department of Social Service, Vocational Evaluation - Fee For Service Contract	50,963	5,138
Department of Social Service, Supported Employment Grant	8,171	8,168
Department of Social Service, Supported Employment - Fee For Service Contract	148,089	-
Office of Mental Health - Drop-In Center	11,208	691
Department of Social Services - Residential Center	29,123	14,293
Others	8,581	189
	<u>\$ 686,827</u>	<u>\$ 109,624</u>

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

*Notes to Financial Statements, Continued**December 31, 1995*

	Contractual Governmental Support Year Ended December 31, 1995	Contractual Reimbursements Receivable December 31, 1995
State of Louisiana		
Office of Mental Health and Hospitals	\$ 112,813	\$ 17,200
Department of Social Services, Louisiana Rehabilitation Services - Medicaid	198,242	18,260
Department of Health and Hospitals, Independent Living Program (ILIP)	97,854	9,938
Department of Social Service, Vocational Evaluation - Fee For Service Contract	63,000	4,288
Department of Social Service, Supported Employment - Grant	43,127	8,132
Department of Social Service, Supported Employment - Fee For Service Contract	54,858	12,841
Others	<u>8,758</u>	<u>237</u>
	<u>\$ 478,752</u>	<u>\$ 71,677</u>

3. Special Events

During November, the Association held its annual fund raise. Receipts and direct expenses of this special fund raising event are as follows:

	1995	1994
Gross revenue	\$ 3,009	\$ 4,881
Direct expenses	<u>1,831</u>	<u>2,696</u>
Net revenue	<u>\$ 1,178</u>	<u>\$ 2,185</u>

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

*Notes to Financial Statements, Continued**December 31, 1996***4. Land, Buildings and Equipment**

A summary of land, buildings and equipment at December 31, 1996 is as follows.

	Cost	Depreciation Allowed	Net Book Value
Office Equipment	\$ 81,640	\$ 51,640	\$ 30,000
Alliance House Equipment	136,254	143,281	32,973
Half Way House			
Buildings	153,298	153,788	69,510
Lease value	62,500	69,280	23,217
Land	74,800	-	74,800
Buildings	380,936	47,264	333,672
Total	\$ 591,644	\$ 405,563	\$ 186,092

A summary of land, buildings and equipment at December 31, 1995 is as follows.

	Cost	Depreciation Allowed	Net Book Value
Office Equipment	\$ 57,530	\$ 43,348	\$ 14,182
Alliance House Equipment	160,730	131,500	29,230
Half Way House			
Buildings	153,298	144,340	9,958
Lease value	62,500	57,500	5,000
Land	74,800	-	74,800
Buildings	368,936	38,812	330,124
Total	\$ 578,818	\$ 384,941	\$ 194,074

5. Long Term Debt

The Association has an 8.75% mortgage payable of \$78,356 payable in monthly installments of \$1,540 including interest, through May 15, 2000 with one final installment of \$2,316 due on June 15, 2001, collateralized by land and building having a depreciated book value of \$290,364 as of December 31, 1996.

net assets, 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, preparation of any evaluation of the structure for 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, 1996, the Mental Health Association for Greater Boston Region, Inc. expended 100% of its total federal awards under major federal award programs.

We performed tests of controls, as required by OMB Circular A-113, 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 The Mental Health Association for Greater Boston Region, 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 the Mental Health Association for

transactions entered into by the Association during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of the financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, including the financial allocation of expenses, and we concur with the results of those estimates.

Significant Audit Adjustments

There were (0) audit adjustments made from the original trial balance presented to us to begin our audit. We do accumulate some potential adjustments that collectively were considered immaterial and, therefore, were not made to the financial statements. We have discussed these potential adjustments with management.

Other Information in Documents Containing Audited Financial Statements

We have not been informed of any documents that contain your audited financial statements. If there were such documents we have a responsibility to determine that financial information included in those documents is not materially inconsistent with the audited financial statements of the Association.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements or on the wording of our report on the financial statements.

Consultations With Other Accountants

We are not aware nor have we been informed of any consultations management had with other independent accountants about accounting or auditing matters. Also, there were no major issues discussed regarding the application of accounting principles or auditing standards in connection with our engagement.



United
Fiduciary
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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 The Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1996 and have issued our report thereon dated June 3, 1997. 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, and the provisions of Office of Management and Budget (OMB) Circular A-133. These 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 The Mental Health Association for Greater Baton Rouge, Inc. taken as a 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.

PROVOOST, SALTER, HARPER & ALFORD, L.L.C.

Provoost, Salter, Harper & Alford, L.L.C.

June 3, 1997



United
Health
Insurance

Health
Plans

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

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, 1996 and have issued our report thereon dated June 3, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Accounting 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 The 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 The Mental Health Association for Greater Baton Rouge, Inc. for the year ended December 31, 1996, 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

Difficulties Encountered in Performing The Audit

We had difficulty converting the books for the Alliance House from a June 30 fiscal year end to a calendar year end. We also had difficulty locating documents for examination.

Material Contingencies

The financial statements reflect no disclosures associated with material contingencies and there were no matters we believe should be disclosed as such.

We would be pleased to respond to any questions you have about the foregoing or to discuss any other matter you would like to discuss.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

June 3, 1997

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

Schedule of Federal Awards

December 31, 1998

Federal Grants/Pass Through Grants/Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
Major Programs			
U. S. Department of Education			
Pass through from State Department of Social Services - Vocational Evaluation Program	94.126	-	\$ 91,493
Pass through from State Department of Social Services - Supported Employment Program	94.126	-	\$ 77,483
U. S. Department of Health and Human Services			
Pass through from State Department of Health and Hospitals, Office of Mental Health, Independent Living Program	93.838	MD146-25-033 and MD191-25-037	\$ 85,289
Pass through from State Department of Health and Hospitals, Office of Mental Health, Consumer Drop In Center	93.838	MD146-25-039	\$ 9,371
Pass through from State Department of Health and Hospitals, Office of Mental Health, Job Assistance Program	93.838	MD146-25-092	\$ 180

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.**Statements of Cash Flows**

December 31, 1998 and 1997

	1998	1997
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 12,743	\$ (26,464)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and amortization	40,608	42,253
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(18,952)	(50,169)
Increase (decrease) in payables	(9,884)	31,134
Other prepaids, deferrals and accruals, net	2,023	5,702
Net Cash Provided By (Used In) Operating Activities	16,556	(7,564)
Cash Flows (Used In) Investing Activities		
Purchase of property and equipment	(18,891)	(11,634)
Cash Flows From Financing Activities		
Repayment of long term debt	(13,202)	(11,292)
Proceeds from long term debt	8,405	-
Net Cash (Used In) Financing Activities	(4,797)	(11,292)
Net Increase (Decrease) in Cash And Cash Equivalents	7,064	(30,390)
Cash And Cash Equivalents		
Beginning	122,081	152,478
Ending	\$ 129,145	\$ 122,081
SUPPLEMENTAL DATA		
Interest Paid	\$ 7,128	\$ 7,880

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.*Notes to Financial Statements, Continued**December 31, 1996*

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 contributions and associated earnings.

8. Reclassification

For comparability, certain items included in the financial statements for 1995 have been reclassified where appropriate to conform with the presentation for 1996, with no effect on net assets.

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MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

FINANCIAL REPORT

December 31, 1996

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the Auditor, or successor, and any and all persons who are public officers. This 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: 12/19/96



MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying statements of financial position of the Mental Health Association for Greater Baton Rouge, Inc. as of December 31, 1996 and 1995, and the related statements of activities and cash flows for the years then ended and the statement of functional expenses for the year ended December 31, 1996. 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, and the provisions of the Office of Management and Budget (OMB) Circular A-133. These 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. An audit includes examining, on a test basis, evidence supporting the accounts 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 statements 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 aspects, the financial position of the Mental Health Association for Greater Baton Rouge, Inc. as of December 31, 1996 and 1995, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, in 1995, the Mental Health Association for Greater Baton Rouge, Inc. changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

In accordance with Government Auditing Standards, we have also issued a report dated June 3, 1997 on our consideration of the Mental Health Association for Greater Baton Rouge, Inc.'s internal control structure and a report dated June 3, 1997 on its compliance with laws and regulations.

PRUVOST, SALTER, HARPER & ALFORD, L.L.C.

Pruvost, Salter, Harper & Alford, L.L.C.
June 3, 1997

MENTAL HEALTH ASSOCIATION FOR GREATER BOSTON, INC.

Statement of Functional Expenses
with Comparative Funds for 1992

December 31, 1992

	Program Services		Total Program Services	Supporting Services Management		Total Expenses 1992
	Administrative Events	Literature Referral		General	Special	
Salaries and Related Benefits						
Admin	\$ 315,247	\$ 11,954	\$ 327,201	\$ 11,204	\$ 338,405	\$ 339,895
Employee health and retirement benefits	46,034	4,082	50,116	4,082	54,198	55,881
Payroll taxes and other	25,099	1,201	26,300	1,201	27,501	28,202
Total salaries and related benefits	486,380	17,437	503,817	17,487	521,304	524,978
Other Expenses						
Supplies	25,309	1,211	26,520	1,211	27,731	28,135
Maintenance and repairs	52,872	1,881	54,753	1,881	56,634	57,440
Traavel and meetings	25,264	1,266	26,530	1,266	27,796	28,206
Rent and utilities	25,442	655	26,097	655	26,752	27,355
Printing	2,208	319	2,527	319	2,846	2,894
Telephone	13,259	479	13,738	479	14,217	14,445
Insurance	18,438	446	18,884	446	19,330	19,611
Professional fees and contract services	16,038	-	16,038	-	16,038	16,438
LP expenses	4,988	-	4,988	-	4,988	5,071
Interest expense	11,548	1,149	12,697	1,149	13,846	14,140
Miscellaneous	20,000	9,125	29,125	9,125	38,250	39,108
Total other expenses	602,275	26,514	628,789	26,514	655,303	664,319
Total Expenses Before Depreciation and Amortization	31,198	-	31,198	9,088	40,286	41,252
Depreciation and amortization						
Total Expenses	\$ 324,673	\$ 26,514	\$ 351,187	\$ 35,602	\$ 386,789	\$ 392,472

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.

Statement of Activities

December 31, 1995 and 1994

	1995	1994
Public Support and Revenue		
Public support		
Allocated by the Capital Area United Way	\$ 125,384	\$ 128,937
Contractual governmental support	686,823	478,792
Contributions and other	21,038	26,527
Total public support	796,245	604,256
Revenue		
Interest income	3,799	4,471
Miscellaneous	1,499	285
Total revenue	5,498	4,756
Total Public Support and Revenue	799,743	609,012
Expenses		
Program services		
Alliance House	714,671	584,929
Education and referral	16,566	32,617
Total program services	731,237	617,546
Supporting services		
Management and general	25,409	49,425
Total Expenses	756,646	666,971
Increase (Decrease) in Net Assets	14,743	(26,469)
Net Assets, Beginning of Year	640,353	666,822
Net Assets, End of Year	\$ 655,096	\$ 640,353

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 in prior years are repeated this year and are as follows:

- a. Absence of appropriate segregations 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, the reportable conditions noted above are considered 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 The Mental Health Association for Greater Baton Rouge, Inc. for the year ended December 31, 1996.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Mental Health Association for Greater Baton Rouge, Inc. in a separate letter dated June 3, 1997.

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, 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.

PRINCETN, SALTER, HARPER & ALFORD, L.L.C.

Princetn, Salter, Harper & Alford, L.L.C.

June 3, 1997



**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 The Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1996, and have issued our report thereon dated June 3, 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. 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 The Mental Health Association for Greater Baton Rouge, Inc. is the responsibility of The 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 The 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.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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.

PROVEST, SALTER, HARPER & ALFORD, L.L.C.

Provest, Salter, Harper & Alford, L.L.C.

June 3, 1997

**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 the Mental Health Association for Greater Baton Rouge, Inc. as of and for the year ended December 31, 1996 and have issued our report thereon dated June 3, 1997. We have also audited the compliance of The Mental Health Association for Greater Baton Rouge, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated June 3, 1997.

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, *Audit of Institutions of Higher Education and Other Nongovernmental Institutions*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Mental Health Association for Greater Baton Rouge, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audit for the year ended December 31, 1996 we considered the internal control structure of The 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 the Mental Health Association for Greater Baton Rouge, Inc. and on its compliance with requirements applicable to major programs 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 3, 1997.

The management of the 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

MENTAL HEALTH ASSOCIATION FOR GREATER BATON ROUGE, INC.*Statement of Financial Position**December 31, 1996 and 1995*

ASSETS	1996	1995
Current Assets		
Cash and cash equivalents	\$ 129,685	\$ 122,081
Contractual reimbursements receivable	119,628	71,675
Contributions receivable	-	20,000
Prepaid expenses	2,622	4,740
Total current assets	249,934	218,596
Land, Buildings and Equipment		
Net of accumulated depreciation and amortization	555,500	581,027
Total Assets	\$ 799,437	\$ 799,623
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 55,596	\$ 48,683
Advances from Office of Mental Health	11,389	28,088
Current maturities of long term debt	16,201	12,222
Total current liabilities	83,186	88,993
Long Term Debt, less current maturities	62,055	70,321
Net Assets		
Unrestricted net assets		
Undesignated, available for general activities	148,845	125,961
Designated by the governing board for Special Programs	27,094	25,868
Net investment in fixed assets	477,147	498,524
Total net assets	643,086	640,353
Total Liabilities and Net Assets	\$ 799,437	\$ 799,623