

99400343
5167

RECEIVED

JAN 04 1999

LEGISLATIVE AUDITOR

**OFFICIAL
FILE COPY**
DO NOT SEND OUT
(Xerox reproduces
copies from
copy and
...

99400343
5167
11

**ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE**

**FINANCIAL STATEMENTS AND
AUDITORS' REPORTS**

FOR THE YEAR ENDED JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor or reviewed, and other appropriate public information. The report is available for review at the Baton Rouge office of the Legislative Auditor, and, if appropriate, at the clerk of court.

Revised Date: **JAN 13 1999**

ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	7
SUMMARY OF PRIOR AUDIT FINDINGS	9

Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Tammany Guidance Center
Lake House
1912 Jefferson Street
Mandeville, LA 70448

We have audited the accompanying statement of financial position of St. Tammany Guidance Center - Lake House (Lake House), a non-profit organization, as of June 30, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Lake House'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 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 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 St. Tammany Guidance Center - Lake House as of June 30, 1998, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 1998 on our consideration of Lake House's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

December 29, 1998

700 Papworth Avenue Suite 101 • Metairie, Louisiana 70005 • (504) 831-6635 • FAX (504) 837-1619

2111 North Causeway Blvd. Suite 201 • Mandeville, Louisiana 70471 • (504) 727-4343

**ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1998

ASSETS

Cash	\$ 8,236
Certificates of deposit	10,900
Accounts receivable (Note 2)	46,843
Prepaid expenses and deposits	8,120
Property and Equipment, net of \$75,508 of accumulated depreciation (Note 3)	<u>17,584</u>
Total assets	<u>\$ 91,683</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 1,240
Accrued payroll taxes	5,951
Accrued salaries	<u>4,934</u>
Total liabilities	12,125
Unrestricted net assets	<u>79,558</u>
Total liabilities and net assets	<u>\$ 91,683</u>

The accompanying notes are an integral part of the financial statements.

**ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE**

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Public Support and Revenues	
Public support	\$ 1,890
Fees from state contracts	302,740
Fees from service contracts	38,456
Investment income	918
Other revenue	<u>7,662</u>
Total Public Support and Revenues	<u>351,666</u>
Expenses	
Lake House	124,704
Supported employment	45,417
LINC	43,777
Drop-In-Center	18,300
Carroll Street	<u>99,511</u>
Total Expenses	<u>331,709</u>
Increase in net assets	19,957
Net assets beginning of year	<u>59,601</u>
Net assets end of year	<u>\$ 79,558</u>

The accompanying notes are an integral part of the financial statements.

**ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE**

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

Cash Flow From Operating Activities:	
Increase in net assets	\$ 19,957
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operations:	
Depreciation	8,212
Decrease (Increase) in accounts receivable	(27,552)
Decrease (Increase) in prepaid expenses	(1,936)
Increase (Decrease) in accounts payable	(6,703)
Increase (Decrease) in accrued payroll taxes	1,410
Increase (Decrease) in accrued salaries	<u>2,329</u>
Net cash used by operations	(4,283)
Cash flows from financing activities:	
Repayment of bank loans	<u>(6,301)</u>
Net cash used by financing activities	<u>(6,301)</u>
Net decrease in cash	(10,584)
Cash at beginning of year	<u>29,720</u>
Cash at end of year	<u>\$ 19,136</u>

The accompanying notes are an integral part of the financial statements.

**ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

NOTE 1--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Board of Directors of St. Tammany Guidance Center formed Lake House to fulfill a community need. Lake House is organized as a psychosocial rehabilitation club house, and is part of a non-profit organization. This audit is for Lake House only as a separate operation and not for St. Tammany Guidance Center as a whole.

Economic Dependence - Lake House is significantly funded through contracts with the State of Louisiana for services it provides to mentally ill clients. Small amounts are received as contributions and no large fund raisers are planned for the near future. Should the State of Louisiana cut its funding for such services, Lake House would be probably be forced to discontinue its operations.

B. Significant Accounting Policies

Basis of accounting

The accounting records are kept on a cash basis throughout the year and converted to the accrual basis at year end for the purpose of issuance of these financial statements.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Income Taxes

Lake House has been granted tax exempt status as provided by Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purpose of the statement of cash flows, Lake House considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

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

NOTE 2--ACCOUNTS RECEIVABLE

The accounts receivable are due from the contracts with the State of Louisiana for services provided through June 30, 1998. All receivables are expected to be collected in a timely manner. The accounts receivable balance consists of the following:

Louisiana:		
Department of Health and Hospitals		\$ 33,798
Department of Social Services		9,240
Southeast Louisiana Hospital		<u>3,805</u>
Total		<u>\$ 46,843</u>

NOTE 3--PROPERTY AND EQUIPMENT

There were no additions, deletions or retirements of equipment for the fiscal year ended June 30, 1998. Depreciation is calculated using the straight line method over a useful life of five to twelve years. Property and equipment consist of the following:

	<u>Costs</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vans	\$30,105	\$2,521	\$25,003	\$ 5,102
Furniture & Fixtures	10,262	881	7,304	2,958
Equipment	<u>52,725</u>	<u>4,810</u>	<u>43,201</u>	<u>9,524</u>
Balance, June 30, 1998	<u>\$93,092</u>	<u>\$8,212</u>	<u>\$75,508</u>	<u>\$17,584</u>

NOTE 4--RELATED PARTY TRANSACTION

The Carroll Street property is rented from a board member for \$1,200 per month which is considered the market rate for such property.

Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITORS' 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
St. Tammany Guidance Center
Lake House
1912 Jefferson Street
Mandeville, LA 70448

We have audited the financial statements of the St. Tammany Guidance Center-Lake House (Lake House), as of and for the year ended June 30, 1998, and have issued our report thereon dated December 29, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial reporting contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lake House'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 those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Lake House'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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

700 Papworth Avenue Suite 101 • Metairie, Louisiana 70005 • (504) 831-6635 • FAX (504) 837-1619

2111 North Causeway Blvd. Suite 201 • Mandeville, Louisiana 70471 • (504) 727-4343

by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board's management and the Legislative Audit Advisory Committee. However, this report is a matter of public record and its distribution is not limited.

Zahn, Kenney & Bresette

Metairie, Louisiana
December 29, 1998

SUMMARY OF PRIOR AUDIT FINDINGS

MATTERS CONSIDERED MATERIAL WEAKNESSES

- 1.) We noted in our last management letter, dated January 5, 1998, that Lake House lacked sufficient segregation of duties with regard to the maintenance, recording, reporting and safeguarding of assets. This finding has been alleviated with the hiring of a person to handle the recording of all accounting transactions.
- 2.) We noted in our last management letter, dated January 5, 1998, that financial transactions were not being recorded and summarized each month to allow for the preparation of interim financial statements. This finding has been resolved in that transactions are recorded timely throughout the year and interim financial statements are now produced for management purposes.

MATTERS CONSIDERED REPORTABLE CONDITIONS BUT NOT MATERIAL WEAKNESSES

- 1.) We reported in our last audit letter dated January 5, 1998 minor clerical errors in the vouching procedures on the various state contracts. Tightened procedures have been placed in effect which have resolved the three audit findings related to this.
- 2.) We reported that Lake House was providing more services than the contract for Psychological Skills Training would reimburse them for. These extra costs were causing Lake House to operate at a deficit. Lake House has scaled back services to be in accord with the contract and operated this program at a surplus. This finding is resolved.
- 3.) We reported that the contract with the Office of Mental Health contract needed to be amended to be in line with actual payments made to Lake House. This has been done and is resolved this year.
- 4.) We reported that the audit was not completed within six months of year end. This has been resolved and the audit is being completed timely this year.