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POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

FINANCIAL REPORT

JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 20 1999

**HILL, INZINA & COMPANY**  
Certified Public Accountants • A Professional Corporation  
701 East Madison Avenue • P.O. Box 631 • Bastrop, Louisiana 71221-0631  
Telephone 318-281-4492 • Fax 318-281-4087

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# HILL, INZINA & COMPANY

## 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, 1998 and 1997, 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 the 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, 1998 and 1997, and the changes in its 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 October 29, 1998, 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.

October 29, 1998

*Hill, Inzina & Co.*

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

STATEMENTS OF FINANCIAL POSITION  
June 30, 1998 and 1997

	June 30,	
	1998	1997
<b>ASSETS</b>		
Current assets:		
Cash	\$ 22,406	\$ 11,125
Accounts receivable	22,167	24,766
Total current assets	\$ 44,573	\$ 35,891
Noncurrent assets:		
Land, building and equipment - net	\$ 53,363	\$ 55,275
Refundable utility deposits	841	841
	\$ 54,204	\$ 56,116
Total assets	\$ 98,777	\$ 92,007
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 2,309	\$ 2,615
Accrued payroll and related expenses	7,627	10,760
Due to director	-	2,489
Residents' deposits	814	713
Current portion of long-term obligations	5,263	5,044
Total current liabilities	\$ 16,013	\$ 21,621
Long-term obligations (net of current portion)	\$ 40,706	\$ 45,927
Net assets - unrestricted	\$ 42,058	\$ 24,459
Total liabilities and net assets	\$ 98,777	\$ 92,007

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

STATEMENTS OF ACTIVITIES  
Years Ended June 30, 1998 and 1997

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
Revenues and other support:		
Louisiana Department of Social Services	\$ 299,312	\$ 287,120
JTPA reimbursements	4,292	3,109
Miscellaneous	<u>1,701</u>	<u>258</u>
	<u>\$ 305,305</u>	<u>\$ 290,487</u>
 Expenses:		
Program (including salaries)	\$ 205,845	\$ 219,728
Management and general (excluding salaries)	<u>81,861</u>	<u>75,129</u>
	<u>\$ 287,706</u>	<u>\$ 294,857</u>
 Increase (decrease) in net assets	\$ 17,599	\$( 4,370)
 Net assets - unrestricted - beginning	24,459	31,544
 Prior period adjustment	<u>-</u>	<u>( 2,715)</u>
 Net assets - unrestricted - ending	<u>\$ 42,058</u>	<u>\$ 24,459</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 1998 and 1997

	Year Ended June 30,	
	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 17,599	\$( 4,370)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,858	2,877
Loss on disposition of property and equipment	-	749
(Increase) decrease in accounts receivable	2,599	3,287
Increase (decrease) in accounts payable	( 306)	1,638
Increase (decrease) in accrued payroll and related expenses	( 3,133)	4,499
Increase (decrease) in residents' deposits	<u>101</u>	<u>( 404)</u>
Net cash flows from operating activities	<u>\$ 19,718</u>	<u>\$ 8,276</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>\$( 946)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from director	\$ 18,886	\$ -
Repayments to director	( 21,375)	( 1,112)
Repayment of long-term obligations	<u>( 5,002)</u>	<u>( 4,610)</u>
Net cash flows used by financing activities	<u>\$( 7,491)</u>	<u>\$( 5,722)</u>
Net increase in cash	\$ 11,281	\$ 2,554
Cash - beginning	<u>11,125</u>	<u>8,571</u>
Cash - ending	<u>\$ 22,406</u>	<u>\$ 11,125</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	\$ 6,139	\$ 5,998

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 1998

	<u>Program</u>	<u>Management and General</u>	<u>Totals</u>
Advertising	\$ -	\$ 14	\$ 14
Insurance	-	12,291	12,291
Security checks	-	80	80
Licenses	-	574	574
Office supplies	-	1,321	1,321
Printing and miscellaneous	-	1,528	1,528
Vehicle	-	5,637	5,637
Payroll taxes	-	16,622	16,622
Postage	-	341	341
Professional fees	-	4,673	4,673
Telephone	-	3,477	3,477
Training	-	163	163
Travel	-	1,340	1,340
Lawn maintenance	-	106	106
Building and grounds maintenance	-	13,626	13,626
Furniture and fixtures maintenance	-	898	898
Supplies	-	1,141	1,141
Utilities	-	5,597	5,597
Interest	-	6,139	6,139
Vehicle lease	-	3,435	3,435
Depreciation	-	2,858	2,858
Food	11,848	-	11,848
Dietary supplies	221	-	221
Laundry supplies	136	-	136
Linen and bedding	225	-	225
Housekeeping supplies	2,570	-	2,570
Personal client needs	6,539	-	6,539
Recreation	681	-	681
First aid supplies	47	-	47
Contract psychologist	15,586	-	15,586
Salaries	<u>167,992</u>	<u>-</u>	<u>167,992</u>
	<u>\$ 205,845</u>	<u>\$ 81,861</u>	<u>\$ 287,706</u>

See notes to financial statements.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 1997

	Program	Management and General	Totals
Insurance	\$ -	\$ 13,590	\$ 13,590
Medical	-	822	822
Security checks	-	106	106
Licenses	-	560	560
Office supplies	-	2,222	2,222
Printing and miscellaneous	-	170	170
Vehicle	-	4,175	4,175
Payroll taxes	-	16,309	16,309
Postage	-	242	242
Professional fees	-	4,649	4,649
Telephone	-	2,161	2,161
Training	-	495	495
Travel	-	1,196	1,196
Lawn maintenance	-	107	107
Building and grounds maintenance	-	4,891	4,891
Furniture and fixtures maintenance	-	1,170	1,170
Supplies	-	3,180	3,180
Utilities	-	5,980	5,980
Interest	-	5,998	5,998
Vehicle lease	-	3,170	3,170
Depreciation	-	2,877	2,877
Penalties	-	310	310
Loss on disposition of assets	-	749	749
Food	11,021	-	11,021
Dietary supplies	147	-	147
Contract dietician	21	-	21
Laundry supplies	369	-	369
Linen and bedding	268	-	268
Housekeeping supplies	3,140	-	3,140
Personal client needs	6,932	-	6,932
Recreation	4,810	-	4,810
First aid supplies	153	-	153
Contract psychologist	21,500	-	21,500
Salaries	<u>171,367</u>	<u>-</u>	<u>171,367</u>
	<u>\$ 219,728</u>	<u>\$ 75,129</u>	<u>\$ 294,857</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. 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.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Association's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

## NOTES TO FINANCIAL STATEMENTS

### Land, Building and Equipment:

Fixed 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.

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 governmental 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 those estimates.

### Note 2. Economic Dependency

Substantially all of the Association's revenues are derived from the State of Louisiana, under its residential facility program. Funding for this program is provided by the State on a year-to-year basis, with no requirement that the program be renewed at all, or if renewed, that funding levels be maintained or increased.

The Association's contract with the State contains a number of terms regarding generic standards, residential services, etc. Management is of the opinion that the Association is in substantial compliance with those terms. Quality assurance evaluations are performed periodically by representatives of the provider agency.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Land, Building and Equipment

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

	<u>1998</u>	<u>1997</u>
Land	\$ 2,500	\$ 2,500
Building	39,011	39,011
Building improvements	12,210	11,264
Equipment	<u>7,877</u>	<u>7,877</u>
	\$ 61,598	\$ 60,652
Less accumulated depreciation	<u>8,235</u>	<u>5,377</u>
	<u>\$ 53,363</u>	<u>\$ 55,275</u>

### Note 4. Long-Term Obligations

As of June 30, 1998, the Association had the following long-term obligations:

	<u>Current</u>	<u>Long-Term</u>	<u>Totals</u>
Regions Bank - mortgage note secured by land and building, bearing interest at 11.0 %, payable in monthly installments of \$770	\$ 4,075	\$ 40,706	\$ 44,781
Moberly Leasing - capital lease obligation secured by office equipment, bearing interest at 8.75%, payable in monthly installments of \$104	<u>1,188</u>	<u>-</u>	<u>1,188</u>
	<u>\$ 5,263</u>	<u>\$ 40,706</u>	<u>\$ 45,969</u>

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

1999	\$ 5,263
2000	4,953
2001	5,544
2002	6,205
2003	6,945
Thereafter	<u>17,059</u>
 Total	 <u>\$ 45,969</u>

## NOTES TO FINANCIAL STATEMENTS

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

	<u>Current</u>	<u>Long-Term</u>	<u>Totals</u>
Regions - mortgage note secured by land and building, bearing interest at 11.0 %, payable in monthly installments of \$770	\$ 3,955	\$ 44,826	\$ 48,781
Moberly Leasing - capital lease obligation secured by office equipment, bearing interest at 8.75%, payable in monthly installments of \$104	<u>1,089</u>	<u>1,101</u>	<u>2,190</u>
	<u>\$ 5,044</u>	<u>\$ 45,927</u>	<u>\$ 50,971</u>

### Note 5. Related Party Transactions

During the year ended June 30, 1998, one director advanced \$18,886 to the Association and all advances were 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. \$1,112 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, 1998 and 1997, were \$3,435 and \$3,170, respectively.

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

# HILL, INZINA & COMPANY

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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.  
dba Morehouse Group Home  
Bastrop, Louisiana

We have audited the financial statements of Positive Mental Attitude Association, Inc., dba Morehouse Group Home, (a nonprofit organization) as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated October 29, 1998. 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 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 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying Schedule of Findings as item 98-1.

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 consider the reportable condition described above to be a material weakness.

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.

*Hill, Drayna & Co.*

October 29, 1998

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

SCHEDULE OF FINDINGS  
For the Year Ended June 30, 1998

We have audited the financial statements of Positive Mental Attitude Association, Inc., dba Morehouse Group Home, (a nonprofit organization), as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated October 29, 1998. 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. Our audit of the financial statements as of June 30, 1998, resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses  Yes  No      Reportable Conditions  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

Section II - Financial Statement Findings

1998-1 Inadequate Segregation of Duties

Criteria: Adequate segregation of duties is essential to proper internal control.

Condition: The segregation of duties is inadequate to provide effective internal control.

Effect: Not determined.

Cause: The condition is due to economic and space limitations.

Recommendation: No action is recommended.

Management's  
response and  
planned cor-  
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

Section III - Management Letter

None issued.

POSITIVE MENTAL ATTITUDE ASSOCIATION, INC.  
dba MOREHOUSE GROUP HOME

SCHEDULE OF PRIOR YEAR FINDINGS  
For the Year Ended June 30, 1998

Section I - Internal Control and Compliance Material to Financial Statements

1997-1 Inadequate Segregation of Duties (cited in Association's original audit as of and for the year ended June 30, 1996)

Adequate segregation of duties is essential to proper internal control.

Unresolved - 1998-1.

Section II - Management Letter

None issued.