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MENTAL HEALTH AMERICA OF LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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Release Date 10/8/08

Mental Health America of Louisiana
December 31, 2007

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August 7, 2008

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mental Health America of Louisiana
Baton Rouge, Louisiana

Ladies and Gentlemen:

We have audited the accompanying statement of financial position of Mental Health America of Louisiana (a non-profit organization) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Mental Health America of Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 Mental Health America of Louisiana as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

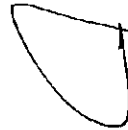
The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 10 to the financial statements, the Organization owes the IRS \$96,111 in overdue payroll tax deposits. Currently the IRS is not actively seeking collection of this liability; however, if the IRS pursues the liability the Organization may not have the financial ability to pay the obligation. Management's opinion regarding these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2008, on our consideration of Mental Health America of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Member of:
American Institute of Certified Public Accountants
Arkansas Society of Certified Public Accountants
Society of Louisiana CPAs

Independent Auditor's Report
(Concluded)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Mental Health America of Louisiana taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

 James W. Campbell CPA, APC

MENTAL HEALTH AMERICA OF LOUISIANA
STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2007

ASSETS

	<u>2007</u>
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 15,386
Contracts Receivable	<u>32,868</u>
TOTAL CURRENT ASSETS	<u>48,254</u>
 <u>FURNITURE AND EQUIPMENT</u>	
Furniture and Equipment	52,083
Less Accumulated Depreciation	<u>(47,454)</u>
TOTAL ASSETS	<u>52,883</u>

LIABILITIES AND NET DEFICIT

<u>CURRENT LIABILITIES</u>	
Accounts Payable	28,650
Deferred Compensation	2,459
Payroll Tax Payable	<u>98,688</u>
TOTAL CURRENT LIABILITIES	129,797
 <u>NON-CURRENT LIABILITIES</u>	
Deferred Compensation	<u>5,927</u>
TOTAL LIABILITIES	<u>135,724</u>
 <u>NET ASSETS (DEFICIT)</u>	
Unrestricted	(83,654)
Permanently Restricted	<u>813</u>
TOTAL NET DEFICIT	<u>(82,841)</u>
TOTAL LIABILITIES AND NET DEFICIT	<u>\$ 52,883</u>

The accompanying notes are an integral part of this statement.

MENTAL HEALTH AMERICA OF LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<u>PUBLIC SUPPORT REVENUES AND OTHER SUPPORT:</u>			
Contributions	\$ 65,175	\$	\$ 65,175
Government Contracts	480,291		480,291
Private Grants	57,550		57,550
Program Revenues	3,000		3,000
Other Revenue	<u>14,093</u>		<u>14,093</u>
 TOTAL SUPPORT AND REVENUE	 <u>620,109</u>		 <u>620,109</u>
<u>EXPENDITURES</u>			
Program Services	517,191		517,191
Management and General	<u>153,295</u>		<u>153,295</u>
 TOTAL EXPENDITURES	 670,486		 670,486
<u>OTHER INCOME</u>			
Investment Income	<u>662</u>		<u>662</u>
 TOTAL OTHER INCOME	 <u>662</u>		 <u>662</u>
 DECREASE IN NET ASSETS	 (49,715)		 (49,715)
 NET ASSETS AT BEGINNING OF YEAR	 <u>(33,939)</u>	 <u>813</u>	 <u>(33,126)</u>
 NET ASSETS AT END OF YEAR	 <u>\$ (83,654)</u>	 <u>\$ 813</u>	 <u>\$ (82,841)</u>

The accompanying notes are an integral part of this statement.

MENTAL HEALTH AMERICA OF LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Change in Net Assets	\$(49,715)
Adjustments to Reconcile Change to Net Assets to Net Cash	
Used by Operating Activities:	
Depreciation	2,213
Change in Assets and Liabilities	
(Increase) Decrease in:	
Contracts Receivable	36,419
Grant Receivable	49,549
Other Assets	725
Increase (Decrease) In:	
Accounts Payable	(15,735)
Current Payroll Tax Liability	(11,823)
Deferred Compensation	<u>(2,255)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 9,378
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Net Payments on Line of Credit	<u>(16,912)</u>
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(18,540)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (7,534)
 CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	 <u>22,920</u>
 CASH AND CASH EQUIVALENTS END OF YEAR	 <u>15,386</u>
 INTEREST PAID	 <u>-0-</u>
 INCOME TAXES PAID	 <u>\$ - 0-</u>

The accompanying notes are an integral part of this statement.

MENTAL HEALTH AMERICA OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Mental Health America of Louisiana (Organization) is a Louisiana non-profit corporation, incorporated on October 29, 1942, for the purpose to engage in any and all educational, literary, scientific, and charitable purposes, and particularly, but not exclusively, to engage in activities leading to the promotion of mental health and improvement in the care and treatment of mental and nervous disorders; to encourage and promote throughout Louisiana a program for the conservation of mental health; the reduction and prevention of nervous and mental disorders and mental defects, and the scientific and human care and treatment of those suffering from any of these disorders; to cooperate and assist other persons, institutions, or agencies whose work is in any way related to that of this corporation, and to initiate movements for such purposes; to disseminate information and develop intelligent public opinion concerning the objectives and purposes of this corporation; to aid and engage in research, special studies, surveys, and demonstrations of methods of handling various problems related to the work of the corporation; to hold, initiate, sponsor, aid in managing and directing, or assisting cooperating agencies in holding meetings, conventions, and congresses of local, national, or international character. The Organization is an affiliate of the National Mental Health Association.

B. Revenues and Expenses

Contributions received, revenues from federal assistance programs, and unconditional promises to give are measured at their fair values, and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions and federal assistance whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

C. Donated Services and Goods

Contributions of service are recognized if the services received (1) create or enhance non-financial assets, or (2) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There are no donated services reflected in the financial statements.

Materials and other noncash assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

MENTAL HEALTH AMERICA OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Promises to Give

The Organization did not receive any unconditional or conditional promises to give during the year.

E. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents consists of cash held in checking, money market accounts, and certificates of deposit with maturities of less than ninety (90) days.

G. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income and loss (including gains and losses on investments, interest, royalties, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Donated investments are recorded at their fair market values if they are readily determinable.

H. Concentration of Credit and Market Risk

Financial investments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at financial institutions and credit exposure is limited at any one institution. The Organization has not experienced any loss on its cash equivalents. The Organization's investments do not represent significant concentrations of market risks. The Organization's investment portfolio is adequately diversified among issuers, industries, and geographic regions.

I. Furniture and Equipment

Furniture and office equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method.

J. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 c (3) of the Internal Revenue Code.

K. Advertising

The Organization expenses advertising costs as they are incurred.

MENTAL HEALTH AMERICA OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2: CONTRACTS AND GRANTS RECEIVABLES

Contracts receivable consist of invoices to various government agencies reimbursing the Organization for services and goods expended for services as stipulated by the respective contracts. The grants receivable include outstanding invoices as of December 31, 2007 from state or federal assistance programs.

A summary of the receivables by contract at December 31, 2007 is as follows:

CoSig	\$ 2,716
MPP	9,393
MHRC	4,784
CAHSD	10,594
LaFete	3,881
OYD	<u>1,500</u>
	<u>\$ 32,868</u>

Bad debts are recorded when management determines the receivable is uncollectible. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

NOTE 3: INVESTMENTS

Royalty interests were donated to the Organization in 1988. The fair value has not been determined or recorded in the Statement of Financial Position. Investment income from cash equivalents, investments, and royalties comprises the following for the year ended December 31, 2007:

Royalties	\$ 632
Interest Income	<u>30</u>
Total Investment Income	<u>\$ 662</u>

NOTE 4: RESTRICTIONS ON NET ASSETS

There were permanently restricted net assets of \$813 which is restricted for the Kenyon Michael Green Foundation.

NOTE 5: RELATED PARTY

The Organization is affiliated with the National Mental Health Association (NMHA) which provides funds to the Organization for participating in various mental health campaigns sponsored by NMHA. The Organization received \$3,000 during 2007 for participating in a variety of public education campaigns. The Organization was also assessed dues of \$1,500 for the year ended December 31, 2007.

NOTE 6: LEASE AGREEMENTS

The Organization leases its facilities. The lease commenced on August 1, 2004 and continued through July 2006. After July 2006, the lease was extended on a month to month basis. Rent expense for the year ended December 31, 2007 totaled \$26,180.

MENTAL HEALTH AMERICA OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6: LEASE AGREEMENTS (Continued)

The Organization also leases a copier on a monthly basis. The rental fee is determined by the number of copies produced each month. The average monthly rental costs for the year ended December 31, 2007 was \$295. Total equipment rental for the year ended December 31, 2007 was \$3,539.

NOTE 7: LINE OF CREDIT

In 2002, the Organization obtained a \$20,000 line of credit with interest payable at the prime rate. The line is secured by a deposit account in the name of the Organization. At December 31, 2007, there was no outstanding balance.

NOTE 8: DEFERRED COMPENSATION

A long-time employee retired in 1984. The Board awarded her future compensation of \$205 per month to assist in her retirement. The Organization did not have a retirement plan in place at that time and this future benefit is recorded as follows:

Balance at December 31, 2006	\$ 10,640
Amount disbursed during the year	<u>2,254</u>
Balance at December 31, 2007	<u>\$ 8,386</u>

NOTE 9: CONTINGENCIES

The Organization received 77% of its revenues from government grants and contracts, all of which are subject to audit by the government. The ultimate determination of the amounts received under these programs generally is based upon allowable cost reported to, and are subject to audit by the government. Until these audits, if any, are conducted there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from an audit.

NOTE 10: GOING CONCERN

At December 31, 2007, the Organization owed the IRS \$96,111 for unpaid 941 deposits, penalties and interest. \$96,111 of the liability is a result of unpaid payroll tax deposits from 2002 and 2003. Currently, the IRS is not actively seeking collection of the amount; however, penalty and interest are still being accrued and added to the liability. Through talks with the IRS, Management is of the opinion that the IRS will not seek to collect the liability until the Organization is financially secure enough to make the payments.

SUPPLEMENTARY INFORMATION

MENTAL HEALTH AMERICA OF LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007
(See Notes to Financial Statements)

EXPENSES:	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 176,167	98,261	\$ 274,428
Advertising	85,822		85,822
Payroll Tax	20,389	10,503	30,892
Conference and Meetings	15,393	7,929	23,322
Contract Labor	97,432		97,432
Computer Technology		3,512	3,512
Employee Benefits	17,121	5,707	22,828
Dues and subscriptions		2,023	2,023
Depreciation		2,213	2,213
Equipment Maintenance	1,391		1,391
Insurance	5,352		5,352
Interest and Service Charges		2,171	2,171
Legal and Professional Fees	6,000	2,535	8,535
Miscellaneous	3,092		3,092
Postage	1,012		1,012
Printing	2,401		2,401
Program Expenses	9,807		9,807
Rent	26,180		26,180
Equipment Rental	3,539		3,539
Service and Administrative Fees		7,226	7,226
Special Events	6,556		6,556
Storage	1,430		1,430
Supplies	4,461		4,461
Telephone	11,226	3,742	14,968
Travel and Related Meal Expenses	<u>22,420</u>	<u>7,473</u>	<u>29,893</u>
	<u>\$ 517,191</u>	<u>\$ 153,295</u>	<u>\$ 670,486</u>

See Auditor's Report

MENTAL HEALTH AMERICA OF LOUISIANA
SCHEDULE OF FEDERAL / STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Pass-Through Programs</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State/Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Pass Through Programs from			
State of Louisiana Department of Health and Hospitals			
Block Grants for Community Mental Health	93.958		
Lafeta Contract		627898	\$ 57,401
Mental Health Reform Coalition (MHRC)		637616	67,395
Louisiana Mental Health Planning Council (LMHPC)		637188	66,060
Capital Area Human Services District (CAHSD)			
LAHire Program		643181	41,800
LAHire Program		658230	8,723
Meaningful Minds of Louisiana		628106	13,343
LA Spirit		646639	1,200
Medicaid Buy-In (MBI)	93.768	633178	12,266
Medicaid Buy-In (MBI)		647638	132,015
Co-Occurring System Infrastructure Grant (COSIG)	93.243	625838	50,031
Statewide Public Education		653425	11,537
Youth Service Project (YSP)	91.104	646812	<u>18,520</u>
Total Expenditures Federal Assistance			<u>\$ 480,291</u>

Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of Mental Health America of Louisiana and is presented on the accrual basis of accounting.

JAMES M. CAMPBELL
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August 7, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Mental Health America of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of Mental Health America of Louisiana (a nonprofit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated August 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mental Health America of Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

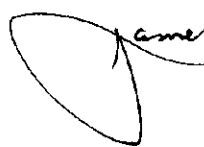
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mental Health America of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2007-01.

Mental Health America of Louisiana's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Mental Health America of Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management, state and federal awarding agencies and pass-through entities of Mental Health America of Louisiana, the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

 James M. Campbell CPA, APC

MENTAL HEALTH AMERICA OF LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Mental Health America of Louisiana.
2. One reportable condition relating to the audit of the financial statements are reported in Mental Health America of Louisiana report on internal control over financial reporting and on compliance and on other matters based on an audit of financial statements in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Mental Health America of Louisiana were disclosed during the audit.
4. The auditor's report on compliance for Mental Health America of Louisiana expresses an unqualified opinion
5. The audit disclosed findings required to be reported
6. Mental Health America of Louisiana did not qualify as a low-risk auditee.

B. FINDING-FINANCIAL STATEMENTS AUDIT

2007-01 - Criteria: The contracts and grants require audit reports to be available no later than six (6) months after the year ends. With their year end of December 31, this report is due no later than June 30 each year.

Condition: Mental Health America of Louisiana did not provide their audit to the proper organizations within the six month time period.

Cause: The Organization's management did not have proper controls and procedures in place to ensure the audit was completed within six months.

Effect: The Organization did not deliver a timely audit report.

Recommendation: The Organization should develop policies and procedures to ensure operations run efficiently. It is recommended that the Organization engage an independent accountant in a timely manner in order to comply with Louisiana Legislative Auditor requirements.

Management Response:

Management concurred with the finding and will engage a qualified auditor shortly after the year end in order to provide sufficient time to complete the audit by June 30 of each year.

The Legislative Auditor office did agree to allow additional time until September 30, 2008 to complete the audit for the year ending December 31, 2007.

MENTAL HEALTH AMERICA OF LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006

FINDING - FINANCIAL STATEMENTS AUDIT (UNRESOLVED)

- 2006-01- Criteria: The contracts and grants require audited financial statements to be available no later than six (6) months after the year end. This report is required to be completed for the Organization no later than June 30 of each year
- Condition: Mental Health America of Louisiana did not provide their audit to the Louisiana Legislative Auditor's office within the six month time period.
- Cause: The Organization's financial director resigned in February 2006 and died shortly thereafter. The Organization did not have proper controls and procedures to ensure a smooth transition between the resignation of the financial director and the hiring of a new director.
- Effect: The Organization did not deliver a timely audit report to their contractors.
- Recommendation: The Organization should develop policies and procedures to cross train employees in order to ensure operations are able to run smoothly in the financial director's absence. It is our recommendation that the policies and procedures adopted by the Organization are followed in future periods.

Management Response:

Management concurred with the finding and will educate the staff to follow the Organization's policies and procedures in future periods.

FINDING - FINANCIAL STATEMENTS AUDIT (RESOLVED)

- 2006-02- Criteria: As stated in the contract "Contractor hereby agrees that the responsibility for payment of taxes from the funds received under this agreement shall be the contractor's. The contractor assumes responsibility for its personnel providing services hereunder and shall make all deductions for social security and withholding taxes, contributions for unemployment compensation funds, and shall maintain, at contractor's expense, all necessary insurance for its employees, including but not limited to workers compensation and liability insurance."
- Condition: The Organization did not make the June 30, 2006 payroll tax deposit in the amount of \$3,626.
- Cause: The Financial Director listed the deposit as being paid on the quarterly payroll report but never sent in the payment to the IRS.
- Effect: The Organization will be subject to failure to pay penalties and interest until the amount is paid. Due to the financial situation of the Organization the IRS is not currently pursuing collection but interest and penalties will continue to be charged to the Organization's account.
- Recommendation: The Organization should develop proper cash flow management procedures to ensure that the amount of payroll tax owed at the end of each payroll period can be sent in to the IRS in a timely manner. The Organization should also contact a tax attorney to determine if there is legal recourse to either abate or discontinue the interest and penalties charged to the Organization's accounts as a result of the non payment. It is our recommendation that the policies and procedures adopted by the Organization are followed in future periods.

MENTAL HEALTH AMERICA OF LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006

FINDING - FINANCIAL STATEMENTS AUDIT (RESOLVED) Continued

Management's Response:

Management concurred with the finding and will educate staff to follow the Organization's policies and procedures in future periods.

FINDING - FINANCIAL STATEMENTS AUDIT (RESOLVED)

2006-03-Criteria: A sound internal control system should include source documents for operating expenses incurred during the fiscal year.

Condition: Out of a test of 60 checks written by the Organization during the year ended December 31, 2006, 10 (16.6%) were not properly supported by an invoice.

Cause: The Organization moved to a new office just before the start of our audit. It is believed that some of the files were misplaced in the move.

Effect: With the majority of the Organization's income coming from reimbursement grants, lack of supporting documentation could present the Organization with questioned costs in future periods.

Recommendation: Formal policy and procedures should be implemented to standardize invoice filing throughout the Organization. It is our recommendation that the policies and procedures adopted by the Organization are followed in future periods.

Management's Response:

Management concurred with the finding and will educate the staff to follow the Organization's policies and procedures in future periods.