

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
MONROE, LOUISIANA

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 **FEB 15 2012**

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
JUNE 30, 2011

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- Accounting & Auditing
 - HUD Audits
 - Non-Profit Organizations
 - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

December 19, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Monroe Area Guidance Center
a/k/a Harmony House
Monroe, Louisiana

We have audited the accompanying statement of financial position of Monroe Area Guidance Center a/k/a Harmony House (a nonprofit organization) as of and for the year ended June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 *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 Monroe Area Guidance Center a/k/a Harmony House, as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2011 on our consideration of Monroe Area Guidance Center a/k/a Harmony House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our 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 should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Monroe Area Guidance Center a/k/a Harmony House taken as a whole. The accompanying financial information listed as supplementary financial information in the table of contents for the year ended June 30, 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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December 19, 2011

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

To the Board of Directors
Monroe Area Guidance Center
a/k/a Harmony House
Monroe, Louisiana

We have audited the financial statements of Monroe Area Guidance Center a/k/a Harmony House as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with accounting standards generally accepted in the United States of America 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 Monroe Area Guidance Center a/k/a Harmony House'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 Monroe Area Guidance Center a/k/a Harmony House'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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, listed as items 11-1, 11-2, 11-4, 11-5, and 11-6. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe Area Guidance Center a/k/a Harmony House'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 11-3.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Johnston, Perry, Johnson & Associates L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

CURRENT ASSETS

| | |
|------------------------------------|---------------|
| Cash and Cash Equivalents | 247,033 |
| Accounts Receivable - Grants (Net) | 114,651 |
| Accounts Receivable - Other | - |
| Prepaid Insurance | <u>25,288</u> |

TOTAL CURRENT ASSETS 386,972

PROPERTY AND EQUIPMENT

| | |
|--------------------------------|-------------------|
| Land | 96,510 |
| Buildings | 957,715 |
| Furniture and Equipment | 289,850 |
| Improvements | <u>179,049</u> |
| | 1,523,124 |
| Less. Accumulated Depreciation | <u>(785,601)</u> |

NET PROPERTY AND EQUIPMENT 737,523

TOTAL ASSETS 1,124,495

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------------------|--------------|
| Accounts Payable and Accrued Expenses | 13,189 |
| Accrued Leave | 9,033 |
| Current Portion of Notes Payable | <u>5,860</u> |

TOTAL CURRENT LIABILITIES 28,082

LONG-TERM LIABILITIES

| | |
|---------------|---------------|
| Notes Payable | <u>14,736</u> |
|---------------|---------------|

TOTAL LONG-TERM LIABILITIES 14,736

NET ASSETS

| | |
|-----------------------------|----------|
| Unrestricted - Operations | 344,154 |
| Unrestricted - Fixed Assets | 737,523 |
| Temporarily Restricted | <u>-</u> |

TOTAL NET ASSETS 1,081,677

TOTAL LIABILITIES AND NET ASSETS 1,124,495

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

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

| | Temporarily Restricted | Permanently Restricted | Unre- stricted | Total |
|--|---------------------------|---------------------------|-------------------|------------------|
| <u>UNRESTRICTED NET ASSETS</u> | | | | |
| Support | | | | |
| Grants and Contracts | - | - | 1,071,097 | 1,071,097 |
| Contributions | - | - | 939 | 939 |
| <u>TOTAL UNRESTRICTED SUPPORT</u> | <u>-0-</u> | <u>-0-</u> | <u>1,072,036</u> | <u>1,072,036</u> |
| Revenues | | | | |
| Client Fees | - | - | 8,119 | 8,119 |
| Miscellaneous | - | - | 9,416 | 9,416 |
| Bad Debt Recovery | - | - | 63,485 | 63,485 |
| Other Program Fees | - | - | 4,817 | 4,817 |
| Gain or Loss on Asset Disposition | - | - | - | -0- |
| Interest Income | - | - | 4,629 | 4,629 |
| <u>TOTAL UNRESTRICTED REVENUES</u> | <u>-0-</u> | <u>-0-</u> | <u>90,466</u> | <u>90,466</u> |
| Net Assets Released from Restrictions | | | | |
| United Way Services Funding | (45,551) | -0- | 45,551 | -0- |
| <u>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</u> | <u>(45,551)</u> | <u>-0-</u> | <u>45,551</u> | <u>-0-</u> |
| <u>TOTAL UNRESTRICTED SUPPORT, REVENUES AND RECLASSIFICATION</u> | <u>(45,551)</u> | <u>-0-</u> | <u>1,208,053</u> | <u>1,162,502</u> |
| <u>EXPENSES</u> | | | | |
| Program Services | | | | |
| Community Support | - | - | 255,662 | 255,662 |
| Fairhaven Shelter | - | - | 228,241 | 228,241 |
| Supportive Living | - | - | 84,891 | 84,891 |
| Jackson House | - | - | 375,949 | 375,949 |
| Transportation | - | - | 69,991 | 69,991 |
| Harmony House | - | - | 70,619 | 70,619 |
| Case Management Plus | - | - | 65,941 | 65,941 |
| <u>TOTAL PROGRAM SERVICES</u> | <u>-0-</u> | <u>-0-</u> | <u>1,151,294</u> | <u>1,151,294</u> |
| Supporting Services | | | | |
| Management and General | - | - | 78,843 | 78,843 |
| Fund Raising | - | - | - | - |
| <u>TOTAL SUPPORTING SERVICES</u> | <u>-0-</u> | <u>-0-</u> | <u>78,843</u> | <u>78,843</u> |
| <u>TOTAL EXPENSES</u> | <u>-0-</u> | <u>-0-</u> | <u>1,230,137</u> | <u>1,230,137</u> |
| <u>INCREASE (DECREASE) IN NET ASSETS</u> | <u>(45,551)</u> | <u>-</u> | <u>(22,084)</u> | <u>(67,635)</u> |
| <u>NET ASSETS AT BEGINNING OF YEAR</u> | <u>45,551</u> | <u>-0-</u> | <u>1,103,761</u> | <u>1,149,312</u> |
| <u>NET ASSETS AT END OF YEAR</u> | <u>-0-</u> | <u>-0-</u> | <u>1,081,677</u> | <u>1,081,677</u> |

The accompanying notes are an integral part of these financial statements

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

PROGRAM SERVICES

| | Community Support Program | Fairhaven Support | Supportive Living | Jackson House |
|---|---------------------------------|----------------------|----------------------|------------------|
| Personal Services | 115,076 | 121,555 | 64,650 | 253,661 |
| Related Benefits | 53,174 | 10,570 | 5,304 | 22,058 |
| Travel | 1,358 | 1,208 | 5,138 | 2,424 |
| Operating Services | 59,554 | 71,592 | 4,793 | 67,234 |
| Supplies | 4,974 | 5,326 | 310 | 12,573 |
| Professional Services | 7,480 | 1,849 | 350 | 4,346 |
| Bad Debts | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <u>Total Expenses Before Depreciation</u> | <u>241,616</u> | <u>212,100</u> | <u>80,545</u> | <u>362,296</u> |
| Depreciation | <u>14,046</u> | <u>16,141</u> | <u>4,346</u> | <u>13,653</u> |
| <u>TOTAL EXPENSES</u> | <u>255,662</u> | <u>228,241</u> | <u>84,891</u> | <u>375,949</u> |

| | Transportation OMH | Harmony House OMH | Case Management Plus | General and Adminis- trative | <u>TOTAL</u> |
|---|-----------------------|----------------------|----------------------------|---------------------------------------|------------------|
| Personal Services | 30,125 | 37,086 | 47,427 | 35,241 | 704,821 |
| Related Benefits | 2,475 | 3,179 | 4,337 | 5,477 | 106,574 |
| Travel | 571 | 603 | 3,767 | 307 | 15,376 |
| Operating Services | 1,953 | 18,220 | 9,287 | 5,837 | 238,470 |
| Supplies | 375 | 7,424 | 1,123 | 676 | 32,781 |
| Professional Services | 30,885 | 485 | - | 3,680 | 49,075 |
| Bad Debts | - | - | - | 15,184 | 15,184 |
| Miscellaneous | - | - | - | 8,757 | 8,757 |
| <u>Total Expenses Before Depreciation</u> | <u>66,384</u> | <u>66,997</u> | <u>65,941</u> | <u>75,159</u> | <u>1,171,038</u> |
| Depreciation | <u>3,607</u> | <u>3,622</u> | - | <u>3,684</u> | <u>59,099</u> |
| <u>TOTAL EXPENSES</u> | <u>69,991</u> | <u>70,619</u> | <u>65,941</u> | <u>78,843</u> | <u>1,230,137</u> |

The accompanying notes are an integral part of these financial statements

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

| | |
|---|----------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES.</u> | |
| Increase (Decrease) in Net Assets | (67,635) |
| Adjustments to Reconcile Increase in Net Assets | |
| To Net Cash Provided (Used) by Operating Activities | |
| Depreciation | 59,099 |
| (Increase) Decrease in: | |
| Operating Assets - Unconditional Promises to Give | 45,551 |
| Accounts Receivable - Grants | 32,752 |
| Accounts Receivable - Other | 17,904 |
| Accounts Receivable - Prepaid Insurance | 2,604 |
| Increase (Decrease) in Operating Liabilities - | |
| Accounts Payable | (26,896) |
| Accrued Leave | <u>6,413</u> |
| <u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u> | <u>69,792</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | |
| Purchase of Fixed Assets | (<u>15,689</u>) |
| <u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u> | <u>(15,689)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | |
| Principal Payment on Debt | (<u>5,603</u>) |
| <u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u> | <u>(5,603)</u> |
| <u>NET INCREASE (DECREASE) IN CASH</u> | <u>48,500</u> |
| <u>BEGINNING CASH AND CASH EQUIVALENTS</u> | <u>198,533</u> |
| <u>ENDING CASH AND CASH EQUIVALENTS</u> | <u>247,033</u> |
| <u>SUPPLEMENTAL CASH BASIS DATA</u> | |
| Interest Paid | 375 |
| Income Taxes Paid | -0- |

The accompanying notes are an integral part of these financial statements

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Statement of Presentation:

The accompanying financial statements conform to generally accepted accounting principles for not-for-profit organizations.

B. Organization:

The Organization provides a spectrum of habilitation-oriented services to the chronically mentally ill in northeast Louisiana, including providing employment opportunities, helping clients with physical and emotional problems in order to help them get into the mainstream of community life, and operating a homeless shelter for the mentally ill. The Organization also carries out a janitorial program to help train clients for employment.

C. 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.

D. Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

E. Budget Policy:

Budgets for various programs are prepared by the Organization and approved by grantor of the funds for each respective program.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

F. Cash in Bank:

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation.

G. Notes Payable:

The Organization's long-term debt consists of a note payable to Iberia Bank in the original amount of \$26,586, with interest at 3.39% amortized over five years. Land is pledged against the loan.

Future scheduled maturities of long-term debt are as follows:

| <u>Year Ended June 30</u> | <u>Total</u> |
|---------------------------|--------------|
| 2012 | 5,860 |
| 2013 | 5,308 |
| 2014 | 5,489 |
| 2015 | 3,939 |
| 2016 | -0- |

H. Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has no permanently restricted net assets at June 30, 2011.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

I. Property and Equipment:

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 asset 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. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Buildings are depreciated using the straight-line method over the useful lives ranging between 27.5 years and 39 years. Equipment is depreciated using the declining balance method over the useful lives ranging between 5 to 7 years. Improvements are depreciated using the straight-line method over 15 years.

J Allocation of Functional Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

K. Reserve for Bad Debts:

The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific receivables made. Management reviews accounts receivable monthly and charges off amounts deemed uncollectible. The amount of the allowance was \$-0- at the year ended June 30, 2011.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

L. Advertising Costs:

Advertising costs for the year ended June 30, 2011 were immaterial. Advertising costs are expensed as incurred.

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS:

The Organization receives its monies through various methods of funding. Most of the funds are received on a grant basis from Louisiana Department of Health and Hospitals. The Organization also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method, including Medicaid funds. The Organization also receives funds by contributions from both public and private sources. The loss of these funds could have an adverse effect on the Organization.

NOTE 3 - GRANTS RECEIVABLE:

Grants

Grants at June 30, 2011 generally consist of reimbursements from the Department of Health and Hospitals for expenditures incurred under the grant program.

NOTE 4 - BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 5 - IN-KIND CONTRIBUTIONS:

The Organization received various in-kind contributions during the year from private and public sources. The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 6 - INCOME TAX STATUS:

The Organization, a non-profit corporation, is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. However, during the year ended June 30, 2011, the Organization paid Unrelated Business Income Taxes of \$8,757 for operating charitable bingo in previous years.

NOTE 7 - CHANGES IN FIXED ASSETS:

A summary of changes in fixed assets recorded at cost follows:

| | Balance July 1, 2010 | <u>Additions</u> | <u>Retirements</u> | Balance June 30, 2011 |
|----------------------------|----------------------------|------------------|--------------------|-----------------------------|
| Land | 96,510 | - | - | 96,510 |
| Harmony House Bldg | 660,000 | - | - | 660,000 |
| Jackson/Fairhaven Bldg | 297,715 | - | - | 297,715 |
| Harmony House Improvements | 179,049 | - | - | 179,049 |
| Furniture & Equipment | <u>274,161</u> | <u>15,689</u> | - | <u>289,850</u> |
| TOTAL | <u>1,507,435</u> | <u>15,689</u> | <u>-0-</u> | <u>1,523,124</u> |
| Accumulated Depreciation | <u>726,502</u> | <u>59,099</u> | <u>-0-</u> | <u>785,601</u> |

The State of Louisiana maintains a revisionary right against \$136,696 on the furniture and equipment in the event the Organization wishes to dispose of assets or ceases operations.

NOTE 8 - ACCRUED LEAVE:

As of June 30, 2011, accrued annual leave time was \$9,033. The Organization records leave as an expenditure in the year the leave is earned.

NOTE 9 - CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 10 - FAIR VALUES OF FINANCIAL INSTRUMENTS:

The Organization's financial instruments, none of which are held for trading purposes, include cash. The Organization estimates that the fair value of all financial instruments at June 30, 2011 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

NOTE 11 - AUDIT REQUIREMENTS:

The Organization did not fall under the A-133 audit regulation which became effective for fiscal years beginning after July 1, 1996 due to federal funds expended being under \$500,000.

NOTE 12 - HUD FUNDING:

The Organization was approved by the Department of Housing and Urban Development (HUD) for a grant for a Case Management Plus project. This grant was completed July 31, 2011 and was not renewed.

NOTE 13 - CASH FUNDS:

All cash funds are in institutions insured up to \$250,000 by an agency of the federal government. At various times during the year the cash funds in these institutions exceeded \$250,000 and the excess of these funds was uninsured.

NOTE 14 - CONTINGENCY:

A discrimination claim has been filed with the EEOC by several former employees of the Organization. The Organization intends to vigorously defend each claim. Reserves are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims. Based on information currently available, the Organization believes that the eventual

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 14 - CONTINGENCY: (Continued)

outcome of the actions against the Organization will not, individually or in the aggregate, have a material adverse effect on the Organization. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to the Organization's financial statements.

NOTE 15 - SIMPLE RETIREMENT PLAN:

The Organization has a SIMPLE IRA plan for its employees. The Organization matches the first 3% of all employee contributions. For the year ended June 30, 2011, the Organization's retirement plan expense was \$1,166.

NOTE 16 - IMPAIRMENT OF LONG-LIVED ASSETS:

In accordance with the accounting guidance for the impairment or disposal of long-lived assets, the Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized to date.

NOTE 17 - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through December 19, 2011, the date the report was available for issue, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 18 - UNCERTAIN TAX POSITIONS:

The Organization is subject to examination by various taxing authorities, including federal income tax examinations. Management has reviewed the Organization's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements. The tax returns for the years 2010, 2009, 2008, and 2007 are open for examination by various taxing authorities

SUPPLEMENTARY FINANCIAL INFORMATION

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L L P
CERTIFIED PUBLIC ACCOUNTANTS

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|--------------------------------|---------------------------------|
| U.S. Department of Housing and Urban Development Supportive Housing Program Case Management Plus 6/30/11 Program Year | 14.181 | <u>69,758</u> |
| <u>TOTAL FEDERAL ASSISTANCE</u> | | <u>69,758</u> |

See accountants' report.

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MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Monroe Area Guidance Center a/k/a Harmony House (nonprofit organization). All financial assistance received directly or passed through from other government or nonprofit agencies is included on the schedule.

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Monroe Area Guidance Center a/k/a Harmony House and is presented on the accrual basis of accounting.

SUBRECIPTS

Monroe Area Guidance Center a/k/a Harmony House did not pass through any federal funds received by it.

See accountants' report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
COMPENSATION TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2011

No compensation was paid to any board member during the year under audit.

See accountants' report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L L P
CERTIFIED PUBLIC ACCOUNTANTS

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES - GRANTOR BASIS
FOR THE YEAR ENDED JUNE 30, 2011

PROGRAM SERVICES

| | Community Support <u>Program</u> | Fairhaven <u>Shelter</u> | Supportive <u>Living</u> | Jackson <u>House</u> |
|-----------------------------------|--|-----------------------------|-----------------------------|-------------------------|
| Support: | | | | |
| Grants and Contracts | | | | |
| OMH | - | 146,732 | 88,645 | 427,050 |
| DOTD Janitorial | 50,941 | - | - | - |
| HUD | - | - | - | - |
| City of Monroe | 46,651 | - | - | - |
| EDS | 56,637 | - | - | - |
| LSUS/E A Conway | 37,229 | - | - | - |
| Contributions | | | | |
| Other | - | 939 | - | - |
| <u>TOTAL SUPPORT</u> | <u>191,458</u> | <u>147,671</u> | <u>88,645</u> | <u>427,050</u> |
| Revenue: | | | | |
| Client Fees - Room and Board | - | 8,119 | - | - |
| Miscellaneous | 9,416 | - | - | - |
| Bad Debt Recovery | 63,485 | - | - | - |
| Other Program Fees | 4,817 | - | - | - |
| Gain or Loss on Asset Disposition | - | - | - | - |
| Interest Income | 4,629 | - | - | - |
| <u>TOTAL REVENUE</u> | <u>82,347</u> | <u>8,119</u> | <u>-0-</u> | <u>-0-</u> |
| <u>TOTAL SUPPORT AND REVENUE</u> | <u>273,805</u> | <u>155,790</u> | <u>88,645</u> | <u>427,050</u> |
| Expenditures: | | | | |
| Personal Services | 115,076 | 121,555 | 64,650 | 253,661 |
| Related Benefits | 53,174 | 10,570 | 5,304 | 22,058 |
| Travel | 1,358 | 1,208 | 5,138 | 2,424 |
| Operating Services | 59,554 | 71,592 | 4,793 | 67,234 |
| Supplies | 4,974 | 5,326 | 310 | 12,573 |
| Professional Services | 7,480 | 1,849 | 350 | 4,346 |
| Capital Outlay | - | - | - | 15,689 |
| Administrative Costs | 40,933 | 3,619 | 8,100 | 4,619 |
| Miscellaneous | - | - | - | - |
| <u>TOTAL EXPENDITURES</u> | <u>282,549</u> | <u>215,719</u> | <u>88,645</u> | <u>382,604</u> |
| <u>NET REVENUE (LOSS)</u> | <u>(8,744)</u> | <u>(59,929)</u> | <u>-0-</u> | <u>44,446</u> |

See accountants' report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L L P
CERTIFIED PUBLIC ACCOUNTANTS

SCHEDULE III
(CONTINUED)

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES - GRANTOR BASIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

PROGRAM SERVICES (Continued)

| | Harmony House <u>OMH</u> | Case Management <u>Plus</u> | Transportation <u>Services</u> |
|-----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Support | | | |
| Grants and Contracts | | | |
| OMH | 73,870 | - | 73,584 |
| DOTD Janitorial | - | - | - |
| HUD | - | 69,758 | - |
| City of Monroe | - | - | - |
| EDS | - | - | - |
| LSUS/E A. Conway | - | - | - |
| Contributions | | | |
| Other | - | - | - |
| | | | |
| <u>TOTAL SUPPORT</u> | <u>73,870</u> | <u>69,758</u> | <u>73,584</u> |
| | | | |
| Revenue | | | |
| Client Fees - Room and Board | - | - | - |
| Miscellaneous | - | - | - |
| Bad Debt Recovery | - | - | - |
| Other Program Fees | - | - | - |
| Gain or Loss on Asset Disposition | - | - | - |
| Interest Income | - | - | - |
| | | | |
| <u>TOTAL REVENUE</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| | | | |
| <u>TOTAL SUPPORT AND REVENUE</u> | <u>73,870</u> | <u>69,758</u> | <u>73,584</u> |
| | | | |
| Expenditures | | | |
| Personal Services | 37,086 | 47,427 | 30,125 |
| Related Benefits | 3,179 | 4,337 | 2,475 |
| Travel | 603 | 3,767 | 571 |
| Operating Services | 18,220 | 9,287 | 1,953 |
| Supplies | 7,424 | 1,123 | 375 |
| Professional Services | 485 | - | 30,885 |
| Capital Outlay | - | - | - |
| Administrative Costs | 6,873 | 3,817 | 7,200 |
| Miscellaneous | - | - | - |
| | | | |
| <u>TOTAL EXPENDITURES</u> | <u>73,870</u> | <u>69,758</u> | <u>73,584</u> |
| | | | |
| <u>NET REVENUE (LOSS)</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |

See accountants' report.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L L P
CERTIFIED PUBLIC ACCOUNTANTS

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued. Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? yes no
- * Reportable condition(s) identified that
are not considered to be material
weaknesses? yes none reported
- Noncompliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? Not Applicable
- * Reportable condition(s) identified that
are not considered to be material
weaknesses? Not Applicable

Type of auditors' report issued on compliance for major programs.
Not Applicable

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? Not Applicable

Identification of major programs:

None

Dollar threshold used to distinguish
between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? yes no

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Internal Control

11-1

Finding: We noted various calculation errors on the employee timesheets.

Criteria: Timesheets contain the hours worked daily with a total number of hours for each day and the total for each pay period.

Effect: This finding has no material effect on the financial statements.

Cause: Insufficient policies and procedures for approving timesheets.

Recommendation: We recommend management require the person in charge of approving timesheets to closely review the timesheets for errors before approving each timesheet.

Reply: Management agrees with this finding and will require the person in charge of approving timesheets to closely review the timesheets for errors before approving each timesheet.

11-2

Finding: SIMPLE IRA contributions withheld from employees were not remitted to the employee's account in a timely manner as required by law.

Criteria: Retirement contributions withheld from employees are required to be remitted to the employee's account within thirty days.

Effect: This finding has no material effect on the financial statements

Cause: There was an oversight by management in monitoring these payments.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
(Continued)

Internal Control (Continued)

11-2 (Continued)

Recommendation: We recommend that management ensure that SIMPLE IRA contributions withheld from employees are remitted to the employee's account within thirty days

Reply: Management agrees with this finding and will have the accountant remit all SIMPLE IRA contributions withheld from employees to the employee's retirement account within thirty days.

11-4

Finding: Several employees that were paid wages were not included on the state unemployment report submitted to the Louisiana Workforce Commission.

Criteria: Each employee paid a salary or wage should appear on the state unemployment report submitted to the Louisiana Workforce Commission.

Effect: This finding has no material effect on the financial statements.

Cause: The outside firm that prepares the quarterly payroll reports had an error in the computer system.

Recommendation: We recommend management amend the 2011 first and second quarters of the state unemployment reports to include the name and social security numbers, and wages paid for all employees paid during those time periods.

Reply: Management agrees with the finding and will amend the 2011 first and second quarters of the state unemployment reports.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
(Continued)

Internal Control (Continued)

11-5

Finding: There were several bank reconciliations for the operating account that did not tie back to the general ledger.

Criteria: The register balance on the bank reconciliations should be the same balance on the Organization's general ledger.

Effect: This finding has no material effect on the financial statements.

Cause: There are errors on the bank reconciliations.

Recommendation: We recommend management monitor the bank reconciliations to ensure they are free from error and agree to the cash balance on the general ledger. We also recommend the treasurer review and approve the monthly bank reconciliations, and initial and date them when they are reviewed

Reply: Management agrees with the finding and will monitor the bank reconciliations closely to ensure they are free from errors and will agree to the cash balance on the general ledger. In addition, the treasurer will review and approve the monthly bank reconciliations.

11-6

Finding: Several invoices paid by online bill pay were not marked as approved.

Criteria: All invoices are required to be approved before payment is made.

Effect: This finding has no material effect on the financial statements.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
(Continued)

Internal Control (Continued)

11-6 (Continued)

Cause: Invoices are copied before the approval is noted on the invoice.

Recommendation: Management should develop policies and procedures to ensure that all invoices are marked as approved before they are copied and paid.

Reply: Management agrees with this finding and will develop policies and procedures to ensure that all invoices are marked as approved before they are copied and paid.

Compliance

11-3

Finding: Recent additions to the Organization's state asset listing are not tagged for identification.

Criteria: The Organization should tag all items purchased with state funds that are listed in the state asset listing.

Effect: This finding has no material effect on the financial statements.

Cause: There was a change in personnel overseeing records.

Recommendation: We recommend the Organization tag all recent purchases listed on the state asset listing and include the tag identification numbers on the list.

Reply: Management agrees with this finding and will tag the recent purchases listed on the state asset list and include the tag identification numbers on the list.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS
JUNE 30, 2011

Internal Control

10-1

Finding: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the organization's annual financial statements. This condition is intentional by management based upon the organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Status: Cleared.

10-2

Finding: Payroll taxes are routinely paid late.

Status: Cleared.

10-3

Finding: SIMPLE IRA contributions withheld from employees are not remitted to the employee's account in a timely manner as required by law.

Status: Uncleared.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2011

Internal Control (Continued)

10-5

Finding: Bonuses paid to employees did not include the proper tax withholdings, nor were the bonuses reported on the Organization's payroll tax reports.

Status: Cleared.

10-6

Finding: Reports for the Case Management Plus grant were not submitted timely or correctly, resulting in the Organization not receiving its funding for the grant.

Status: Cleared.

10-7

Finding: Eleven of one hundred timesheets reviewed were not approved by a supervisor or were missing.

Status: Cleared

10-8

Finding: Two of twenty-five checks reviewed did not contain the proper supporting documentation.

Status: Cleared.

10-9

Finding: There were several bank reconciliations for the operating account that did not tie back to the general ledger.

Status: Uncleared.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2011

Compliance

10-4

Finding: Recent additions to the Organization's state asset listing are not tagged for identification.

Status: Uncleared.