

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

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2012

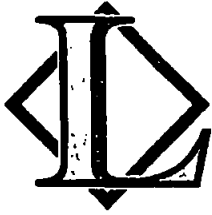
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the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

Release Date **APR 24 2013**

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
JUNE 30, 2012

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LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm TODD LITTLE, CPA
CHARLES R MARCHBANKS, JR, CPA

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 June 30, 2012, 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 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 previously present fairly, in all material respects, the financial position of Monroe Area Guidance Center a/k/a Harmony House, as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2013, 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, 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 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 conducted for the purpose of forming an opinion on the financial statements of Monroe Area Guidance Center a/k/a Harmony House taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, the Schedule of Board Members Compensation, and the Schedule of Functional Revenues and Expenses – Grantor Basis are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Board Members Compensation, and the Schedule of Functional Revenues and Expenses – Grantor Basis are fairly stated, in all material respects, in relation to the financial statements as a whole.

Little & Associates, LLC

Monroe, LA
April 12, 2013

FINANCIAL STATEMENTS

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 24,693
Certificate of Deposit - Restricted	16,000
Accounts Receivable - Contracts (Net)	101,854
Prepaid Insurance	<u>23,092</u>

TOTAL CURRENT ASSETS \$ 165,639

PROPERTY AND EQUIPMENT

Land	96,510
Buildings	957,715
Furniture and Equipment	324,350
Improvements	<u>179,049</u>
	1,557,624
Less Accumulated Depreciation	<u>(852,508)</u>

NET PROPERTY AND EQUIPMENT 705,116

TOTAL ASSETS \$ 870,755

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 42,486
Accrued Leave	13,524
Current Portion of Notes Payable	<u>5,168</u>

TOTAL CURRENT LIABILITIES \$ 61,178

LONG-TERM LIABILITIES

Notes Payable - Community Trust Bank	<u>10,832</u>
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TOTAL LONG-TERM LIABILITIES 10,832

NET ASSETS

Unrestricted - Operations	77,629
Unrestricted - Fixed Assets	705,116
Restricted - CD	<u>16,000</u>

TOTAL NET ASSETS 798,745

TOTAL LIABILITIES AND NET ASSETS \$ 870,755

The accompanying notes are an integral part of these financial statements

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
STATEMENT OF ACTIVITIES
JUNE 30, 2012

	Temporarily Restricted	Permanently Restricted	Unrestricted	Total
<u>UNRESTRICTED NET ASSETS</u>				
Support				
Grants and Contracts	\$ -	\$ -	\$ 937,589	\$ 937,589
Contributions	-	-	1,989	1,989
<u>TOTAL UNRESTRICTED SUPPORT</u>	-	-	939,578	939,578
Revenues				
Client Fees	-	-	164	164
Miscellaneous	-	-	1,520	1,520
Other Program Fees	-	-	13,205	13,205
Interest Income	-	-	1,854	1,854
<u>TOTAL UNRESTRICTED REVENUES</u>	-	-	16,743	16,743
Net Assets Released from Restrictions	-	-	-	-
<u>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</u>	-	-	-	-
<u>TOTAL UNRESTRICTED SUPPORT, REVENUES AND RECLASSIFICATION</u>	-	-	956,321	956,321
<u>EXPENSES</u>				
Program Services				
Employment Development Service	-	-	170,769	170,769
Fairhaven Shelter	-	-	190,381	190,381
Emergency Shelter Grant	-	-	22,021	22,021
Jackson House	-	-	384,464	384,464
Transportation	-	-	78,842	78,842
Harmony House	-	-	91,123	91,123
Case Management Plus	-	-	9,983	9,983
Rehab Transportation	-	-	13,485	13,485
<u>TOTAL PROGRAM SERVICES</u>	-	-	961,068	961,068
Supporting Services				
Management and General	-	-	217,815	217,815
<u>TOTAL SUPPORTING SERVICES</u>	-	-	217,815	217,815
<u>TOTAL EXPENSES</u>	-	-	1,178,883	1,178,883
<u>INCREASE (DECREASE) IN NET ASSETS</u>	-	-	(222,562)	(222,562)
<u>NET ASSETS AT BEGINNING OF YEAR, AS ORIGINALLY REPORTED</u>	-	-	1,081,677	1,081,677
<u>PRIOR PERIOD ADJUSTMENT</u>	-	-	(60,370)	(60,370)
<u>NET ASSETS AT BEGINNING OF YEAR, AS RESTATED</u>	-	-	1,021,307	1,021,307
<u>NET ASSETS AT END OF YEAR</u>	\$ -	\$ -	\$ 798,745	\$ 798,745

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, 2012

PROGRAM SERVICES

	Employment Development Service	Fairhaven Support	Emergency Shelter Grant	Jackson House	Transpor- -tation OMH
Personal Services	\$ 133,009	\$ 128,444	\$ 2,574	\$ 289,502	\$ 34,340
Related Benefits	10,162	17,956	194	30,892	6,445
Travel	838	684	-	418	922
Operating Services	5,289	23,784	16,165	43,899	24,546
Supplies	9,388	2,786	1,796	3,467	606
Professional Services	-	193	-	228	6,600
Miscellaneous	2,068	238	-	836	760
<u>Total Expenses Before Depreciation</u>	<u>160,754</u>	<u>174,085</u>	<u>20,729</u>	<u>369,242</u>	<u>74,219</u>
Depreciation	10,015	16,296	1,292	15,222	4,623
<u>TOTAL EXPENSES</u>	<u>\$ 170,769</u>	<u>\$ 190,381</u>	<u>\$ 22,021</u>	<u>\$ 384,464</u>	<u>\$ 78,842</u>

	Harmony House OMH	Case Management Plus	Rehab Transpor- -tation	General and Admini- -strative	TOTAL
Personal Services	\$ 44,760	\$ 8,126	\$ -	\$ 92,846	\$ 733,601
Related Benefits	11,745	619	-	40,139	118,152
Travel	415	73	266	1,349	4,965
Operating Services	26,494	1,143	10,292	36,735	188,347
Supplies	1,713	22	415	6,418	26,611
Professional Services	375	-	-	10,942	18,338
Miscellaneous	277	-	2,512	15,271	21,962
<u>Total Expenses Before Depreciation</u>	<u>85,779</u>	<u>9,983</u>	<u>13,485</u>	<u>203,700</u>	<u>1,111,976</u>
Depreciation	5,344	-	-	14,115	66,907
<u>TOTAL EXPENSES</u>	<u>\$ 91,123</u>	<u>\$ 9,983</u>	<u>\$ 13,485</u>	<u>\$ 217,815</u>	<u>\$ 1,178,883</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, 2012

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Increase (Decrease) in Net Assets	\$ (222,562)
Adjustments to Reconcile Increase in Net Assets To Net Cash Provided (Used) by Operating Activities	
Depreciation	66,907
(Increase) Decrease in	
Accounts Receivable - Contracts (Net)	12,797
Accounts Receivable - Prepaid Insurance	2,196
Increase (Decrease) in	
Accounts Payable	6,386
Accrued Leave	4,491
	<u> </u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>(129,785)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Fixed Assets	(34,500)
Purchase of Certificate of Deposit	<u>(16,000)</u>
	 <u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>
	 <u>(50,500)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Principal Payment on Debt	(20,596)
Proceeds from Loan	<u>16,000</u>
	 <u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>
	 <u>(4,596)</u>
 <u>NET INCREASE (DECREASE) IN CASH</u>	 <u>(184,881)</u>
 <u>BEGINNING CASH AND CASH EQUIVALENTS</u>	 <u>209,574</u>
 <u>ENDING CASH AND CASH EQUIVALENTS</u>	 <u>\$ 24,693</u>
 <u>SUPPLEMENTAL CASH BASIS DATA</u>	
Interest Paid	<u>\$ 1,296</u>

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, 2012

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 Organizations

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.

F Cash in Bank

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

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. As of June 30, 2012, this loan was paid in full.

On June 8, 2012, the Organization entered into a loan with Community Trust Bank in the amount of \$16,000, with interest at 3.20%. The loan is to be paid in monthly installments including principal and interest of \$467.04 and matures on June 8, 2015. A certificate of deposit was purchased with the proceeds from the loan and serves as the collateral for the loan.

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

<u>Year Ended June 30</u>	<u>Total</u>
2013	5,168
2014	5,336
2015	5,496
2016	-0-
2017	-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.

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.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounts deemed uncollectible. The amount of the allowance was \$-0- at the year ended June 30, 2012.

L Advertising Costs

Advertising costs for the year ended June 30, 2012 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 contract basis from Louisiana Department of Health and Hospitals. The Organization 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 grants and contributions from both public and private sources. The loss of these funds could have an adverse effect on the Organization.

NOTE 3 – CONTRACTS RECEIVABLE

Contracts

Contracts receivable at June 30, 2012 generally consist of reimbursements from the Department of Health and Hospitals for services performed under the contracts.

NOTE 4 – BOARD OF DIRECTORS' COMPENSATION

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

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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.

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.

NOTE 7 – CHANGES IN FIXED ASSETS

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

	Balance July 1, 2011	Additions	Retirements	Balance June 30 2012
Land	\$ 96,510	\$ -	\$ -	\$ 96,510
Harmony House Building	660,000	-	-	660,000
Jackson/Fairhaven Building	297,715	-	-	297,715
Harmony House Improvements	179,049	-	-	179,049
Furniture & Equipment	289,850	34,500	-	324,350
TOTAL	\$ 1,523,124	\$ 34,500	\$ -0-	\$ 1,557,624
Accumulated Depreciation	\$ 785,601	\$ 66,907	\$ -0-	\$ 852,508

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, 2012, accrued annual leave time was \$13,524. 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, 2012

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, 2012 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. The Organization also received a grant from HUD, which was passed through the City of Monroe. The grant was for an Emergency Shelter Program. The grant for the Emergency Shelter Grants Program terminated June 30, 2012.

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 vigorously defended 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. As of June 5, 2012, there was a Motion to Dismiss and Order of Dismissal signed by the Judge which brought this matter to a close.

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, 2012, the Organization's retirement plan expense was \$1,362. As of December 31, 2011, the Organization terminated its SIMPLE IRA plan.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

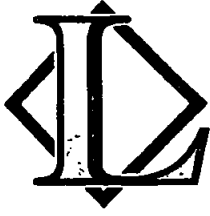
Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through April 12, 2013, 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.

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 2011, 2010, 2009, and 2008 are open for examination by various taxing authorities.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

The opening balance equity as of June 30, 2011 was restated due to the inclusion of a payroll tax liability and related payroll tax expenses related to prior years. The restatement also was due to the Organization correcting its bank reconciliation and voiding old and duplicate checks and deposits relative to prior years. The total amount of the restatement was a \$60,370 reduction to opening equity.



LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm TODD LITTLE, CPA
CHARLES R MARCHBANKS, JR, CPA

April 12, 2013

**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 (a nonprofit organization), as of and for the year ended June 30, 2012, and have issued our report thereon dated April 12, 2013. 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

Management of Monroe Area Guidance Center a/k/a Harmony House is responsible for establishing and maintaining effective 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 Monroe Area Guidance Center a/k/a Harmony House'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control over financial reporting as item 2012-9 that we consider to be a material weakness and other deficiencies as items 2012-1, 2012-2, 2012-3, 2012-4, 2012-5, 2012-7 and 2012-8 that we consider to be significant deficiencies.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-9 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1, 2012-2, 2012-3, 2012-4, 2012-5, 2012-7 and 2012-8 to be significant deficiencies.

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 or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-6.

Monroe Area Guidance Center a/k/a Harmony House's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Monroe Area Guidance Center a/k/a Harmony House's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Board of Directors, management of Monroe Area Guidance Center a/k/a Harmony House, other entities granting funds to Monroe Area Guidance Center a/k/a Harmony House, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little & Associates, LLC

Monroe, LA
April 12, 2013

SUPPLEMENTARY FINANCIAL INFORMATION

SCHEDULE I

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<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	\$ 9,983
U S Department of Housing and Urban Development Passed through the City of Monroe Emergency Shelter Grants Program 6/30/12 Program Year	14 231	<u>15,707</u>
<u>TOTAL FEDERAL ASSISTANCE</u>		<u>\$ 25,690</u>

See accountants' report

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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

SUBRECIPIENTS

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

SCHEDULE II

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
COMPENSATION TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2012

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

See accountants' report

SCHEDULE III

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES - GRANTOR BASIS
FOR THE YEAR ENDED JUNE 30, 2012

PROGRAM SERVICES

	<u>Community Support Program</u>	<u>Fairhaven Shelter</u>	<u>Emergency Shelter Grant</u>	<u>Jackson House</u>
Support				
Grants and Contracts				
OMH	\$ -	\$ 173,970	\$ -	\$ 442,559
DOTD Janitorial	50,941	-	-	-
HUD	-	-	-	-
City of Monroe	-	-	15,707	-
EDS	52,727	-	-	-
LSUS/E A Conway	40,331	-	-	-
Contributions				
Other	-	25	-	-
<u>TOTAL SUPPORT</u>	<u>143,999</u>	<u>173,995</u>	<u>15,707</u>	<u>442,559</u>
Revenue				
Miscellaneous	392	310	-	-
Other Program Fees	1,897	12	-	3,159
<u>TOTAL REVENUE</u>	<u>2,289</u>	<u>322</u>	<u>-</u>	<u>3,159</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>146,288</u>	<u>174,317</u>	<u>15,707</u>	<u>445,718</u>
Expenditures				
Personal Services	133,009	128,444	2,574	289,502
Related Benefits	10,162	17,956	194	30,892
Travel	838	684	-	418
Operating Services	5,289	23,784	16,165	43,899
Supplies	9,388	2,786	1,796	3,467
Professional Services	-	193	-	228
Miscellaneous	2,068	238	-	836
<u>TOTAL EXPENDITURES</u>	<u>160,754</u>	<u>174,085</u>	<u>20,729</u>	<u>369,242</u>
<u>NET REVENUE (LOSS)</u>	<u>\$ (14,466)</u>	<u>\$ 232</u>	<u>\$ (5,022)</u>	<u>\$ 76,476</u>

See accountants' report

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, 2012

PROGRAM SERVICES (Continued)

	Harmony House OMH	Case Management Plus	Trans- -portation Services	Trans- -portation Services
Support				
Grants and Contracts				
OMH	\$ 74,827	\$ -	\$ 72,187	\$ 3,889
DOTD Janitorial	-	-	-	-
HUD	-	10,451	-	-
City of Monroe	-	-	-	-
EDS	-	-	-	-
LSUS/E.A Conway	-	-	-	-
Contributions				
Other	315	-	-	-
	<u>75,142</u>	<u>10,451</u>	<u>72,187</u>	<u>3,889</u>
<u>TOTAL SUPPORT</u>				
	<u>75,142</u>	<u>10,451</u>	<u>72,187</u>	<u>3,889</u>
Revenue				
Miscellaneous	-	-	-	-
Other Program Fees	1,744	-	2,400	-
	<u>1,744</u>	<u>-</u>	<u>2,400</u>	<u>-</u>
<u>TOTAL REVENUE</u>				
	<u>1,744</u>	<u>-</u>	<u>2,400</u>	<u>-</u>
<u>TOTAL SUPPORT AND REVENUE</u>				
	<u>76,886</u>	<u>10,451</u>	<u>74,587</u>	<u>3,889</u>
Expenditures				
Personal Services	44,760	8,126	34,340	-
Related Benefits	11,745	619	6,445	-
Travel	415	73	922	266
Operating Services	26,494	1,143	24,546	10,292
Supplies	1,713	22	606	415
Professional Services	375	-	6,600	-
Miscellaneous	277	-	760	2,512
	<u>85,779</u>	<u>9,983</u>	<u>74,219</u>	<u>13,485</u>
<u>TOTAL EXPENDITURES</u>				
	<u>85,779</u>	<u>9,983</u>	<u>74,219</u>	<u>13,485</u>
<u>NET REVENUE (LOSS)</u>				
	<u>\$ (8,893)</u>	<u>\$ 468</u>	<u>\$ 368</u>	<u>\$ (9,596)</u>

See accountants' report

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issues 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 No

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, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Internal Control

2012-1 – Employee Timesheets not signed by Employees, Supervisors or Both

Condition and Criteria Timesheets should be signed by the employee and signed off by supervisor or the Executive Director We noted eleven timesheets viewed that were not signed by the employee or the supervisor Out of the eleven, there were eight that did not have either the employee or supervisor signature

Context The exceptions noted above were detected out of a total of one hundred twenty-nine timesheets viewed

Effect Employees could receive pay for incorrect number of hours worked

Cause Insufficient policies and procedures for approving timesheets

Auditor's Recommendation We recommend management require the person in charge of approving timesheets to review the timesheets for the employee signature and sign off

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) Agree The employee is to sign the timesheet on the day they are paid, if they are not in, it is the responsibility of the manager to have the employee sign the timesheet the day they come back and forward that document to the HR manager All timesheets are required to be back at the HR department within one week

2012-2 – Simple IRA Contributions withheld from Employees not Remitted Timely as Required by Law.

Condition and Criteria Retirement contributions withheld from employees are required to be remitted to the employee's account within thirty days The withheld portion of Retirement Contributions were remitted several months past thirty days

Context The monthly retirement contributions were not remitted timely for the twelve months covered under the audit period

Effect This finding has no material effect on the financial statements

Cause There was an oversight by management in monitoring these payments

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

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) Agree As of December 2011, we no longer offer any retirement at this facility. There will be no more SIMPLE IRA contributions handled

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

2012-3 - Pretax Deductions not being Reported Properly on Payroll Reports

Condition and Criteria All pretax deductions should be included as pretax when calculating each employee's paycheck and when reporting wages net of all pretax deductions on form 941. It was noted that an incorrect amount of payroll was reported on the quarterly 941 payroll tax return due to pretax deductions.

Context Improper recording of pretax deductions was noted on the four quarterly 941 payroll tax returns.

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

Cause Unknown.

Auditor's Recommendation We recommend that management ensure all pretax deductions are properly noted as pretax in the payroll system and appear correctly on form 941.

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) The only pre-taxed deduction that we currently do is for health/dental/vision insurance and it is properly coded in QuickBooks as a pre-tax deduction. We no longer do the pre-taxed IRA contributions.

2012-4 - Several Bank Reconciliations for the Operating Account that did not tie to the General Ledger

Condition and Criteria The register balance on the monthly bank reconciliations should be the same balance on the Organization's general ledger at each month end. There were ten instances noted where the bank reconciliation did not tie to the general ledger.

Context The exceptions noted above were detected out of a total twelve bank statements viewed.

Effect Incorrect bank reconciliations could indicate missing or duplicate transactions in the general ledger.

Cause There are errors on the bank reconciliations.

Auditor's Recommendation We recommend management review the bank reconciliations to ensure they agree to the cash balance in the general ledger and initial and date them when reviewed.

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) Agree. In 2013 bank reconciliations will be initialed by Executive Director to ensure that it balances with the general ledger.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

2012-5 – Invoice Paid by Online Bill Pay were not Marked as Approved

Condition and Criteria All invoices are required to be approved before payment is issued. There were six instances noted where the online bill pay invoices were not marked as approved before payment was issued

Context The exceptions noted above were detected out of a total twenty-five payments that were viewed

Effect Without proper approval, payments could be made incorrectly or make it possible for fraud to occur

Cause Unknown

Auditor's Recommendation Management should develop policies and procedure to ensure all invoices are marked as approved before they are paid

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) Agree We no longer have an accountant here paying bills and all bills are paid by the Executive Director. The Executive Director will provide a payable schedule for the Board of Directors to review and sign off on as well as provide the banks statements showing all transactions for that month and have them sign. The Executive Director will continue to review the contract amounts that were billed as well as payments that were made on behalf of the different contracts.

2012-7 - Late submission of annual financial statements

Condition and Criteria In accordance with state statute, the Organization's annual financial statements and accompanying independent auditors' report are required to be submitted to the Legislative Auditor on or before December 31 of each year. The Organization's annual financial statements and accompanying independent auditors' report for the year ended June 30, 2012, were not submitted to the Legislative Auditor by December 31, 2012

Context N/A

Cause Due to an unforeseen serious illness in the immediate family of the Organization's Director, there were delays in providing and receiving information in order to perform the audit

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) Agree The Executive Directors daughter was diagnosed with cancer and spent several weeks at St. Junes in Memphis, TN with her and was unable to assist the firm handling the audit.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

2012-8 - Missing accounts payable support and reimbursement request support for the contracts.

Condition and Criteria All support for accounts payable and reimbursement requests from the contracts should be filed and on record at the Organization's office. There were two months of payable and contract information missing from one program and one month of missing payable and contract information for a separate program.

Context There were three exceptions noted of twelve months of contract requests reviewed. There were two disbursements out of forty-seven in the test sample that were in the months with missing records.

Effect None known

Cause Unknown

Auditor's Recommendation Management should put policies and procedures in place to ensure all support for payables and reimbursement requests are filed properly.

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) Agree. All invoices that are paid are placed in a folder labeled for that specific contract. The Executive Director submits the invoices to OBH for approval and then those files get put away for the next fiscal year audit. The Office of Behavioral Health keeps a copy of these files as well. These files are audited by DHH every 6 months to ensure compliance.

2012-9 - Unsupported journal entries in the general ledger. No support for the journal entries.

Condition and Criteria. The Organization should be able to provide support and explanation for journal entries recorded in the general ledger. The Organization's general ledger contained journal entries which were not supported or documented.

Context There were two instances noted where the Organization did not have support for journal entries in the total amount of \$37,458.

Effect Errors in the Organization's general ledger could occur.

Cause Unknown

Auditor's Recommendation Recommendation. The Organization should put policies and procedures in place to provide support for journal entries along with explanations for the journal entries.

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) Agree. The Executive Director puts all transactions that she completes into QuickBooks. These entries are done monthly in order to complete our invoicing for the Office of Behavioral Health. All payroll entries and tax deductions/garnishments are done by a CPA firm. The Executive Director will then review the bank reconciliations to ensure that all entries are documented.

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Compliance

2012-6 - Additions to the Organization's state asset listing are not tagged for identification.

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

Context None of the state assets purchased with state funds were tagged

Effect This finding has no material effect on the financial statements

Cause Unknown

Auditor's Recommendation Recommendation We recommend the Organization tag all recent purchases listed on the state asset listing and include the tag identification numbers on the list

Views of Responsible Officials (Auditors' Summary of the Auditee's Comments on the Findings and Recommendations) Agree All of these items have been stored for several years and have yet to be picked up from our facility. This organization has not purchased any items with state funds in several years and has had the capital asset category removed from all state contracts We are removing old items off the list and having items with cut cords removed from the property and the list

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2012

Internal Control

11-1 – We noted various calculation errors on the employee timesheets

Condition: Timesheets did not contain the hours worked daily with a total number of hours for each day and the total for each pay period

Status Cleared

Previous Response for Finding: Management agreed with finding

Narrative Corrective Action taken

11-2 - SIMPLE IRA contributions withheld from employees were not remitted to the employee's account in a timely manner as required by law

Condition Retirement contributions withheld from employees were not remitted to the employee's account within thirty days

Status Not Cleared.

Previous Response for Finding Management agreed with finding

Narrative Corrective Action was not taken See current year finding 2012-2

11-4 - Several employees that were paid wages were not included on the state unemployment report submitted to the Louisiana Workforce Commission

Condition Each employee paid a salary or wage did not appear on the state unemployment report submitted to the Louisiana Workforce Commission

Status Cleared

Previous Response for Finding Management agreed with finding

Narrative Corrective Action taken

MONROE AREA GUIDANCE CENTER
A/K/A HARMONY HOUSE
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2012

11-5 - There were several bank reconciliations for the operating account that did not tie back to the general ledger

Condition The register balance on the bank reconciliations did not balance to the Organization's general ledger

Status Not Cleared

Previous Response for Finding Management agreed with finding

Narrative Corrective Action was not taken See current year finding 2012-4

11-6 – Several invoices paid by online bill pay were not marked as approved

Condition Invoices were paid that were not marked as approved

Status Not Cleared

Previous Response to Finding Management agreed with finding

Narrative Correction Action was not taken See current year finding 2012- 5

Compliance

11-3 - Recent additions to the Organization's state asset listing are not tagged for identification

Condition The Organization did not tag all items purchased with state funds that are listed in the state asset listing.

Status Not Cleared

Previous Response for Finding Management agreed with finding

Narrative Corrective Action was not taken See current year finding 2012- 6