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CONFIDENT, INC.

**Financial Statements
and Independent Auditor's Report**

**June 30, 1998
(with Comparative Totals for 1997)**

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

Release Date 11-11-98

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A CORPORATION OF
CERTIFIED PUBLIC ACCOUNTANTS

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H. DALE MYERS, JR., CPA, CVA
LISA NOLEN WHITE, CPA

LEO A. "BUDDY" PARKER, JR., CPA

MEMBERS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Confident, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Confident, Inc., (a nonprofit organization) as of June 30, 1998, 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 generally accepted auditing standards 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 Confident, Inc. as of June 30, 1998, and the changes in its net assets and its cash flows for the year ended June 30, 1998 in conformity with generally accepted accounting principles.

Scalisi, Myers & White (APC)

October 19, 1998

Confident, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 1998
(with Comparative Totals for 1997)

ASSETS

	<u>1998</u>	(Memorandum Only) <u>1997</u>
CURRENT ASSETS		
Cash and cash equivalents (Note E)	\$ 9,123	\$ 2,481
Certificate of deposit	1,050	1,000
Grants receivable	<u>4,115</u>	<u>13,709</u>
Total current assets	14,288	17,190
FIXED ASSETS - AT COST (NOTE B-1 AND C)		
Office furniture and equipment	13,722	13,722
Less accumulated depreciation	<u>(8,504)</u>	<u>(6,245)</u>
	5,218	7,477
OTHER ASSETS		
Prepaid rent	460	0
Utility deposits	<u>175</u>	<u>175</u>
	<u>635</u>	<u>175</u>
Total assets	<u>\$ 20,141</u>	<u>\$ 24,842</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,503	\$ 1,886
Accrued salaries (Note D)	4,329	0
Payroll taxes payable	<u>1,494</u>	<u>1,927</u>
	7,326	3,813
NET ASSETS		
Unrestricted net assets:		
Operations	7,597	13,552
Fixed assets	<u>5,218</u>	<u>7,477</u>
Total unrestricted net assets	<u>12,815</u>	<u>21,029</u>
Total liabilities and net assets	<u>\$ 20,141</u>	<u>\$ 24,842</u>

The accompanying notes are an integral part of this statement.

Scalisi, Myers & White (APC)
LAKE CHARLES, LOUISIANA

Confident, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 1998
(with comparative totals for 1997)

	1998			(Memorandum Only) 1997
	Unrestricted			
	Operations	Fixed Assets	Total	Total
SUPPORT AND REVENUE (Note B-2)				
Support:				
Grants and contracts	\$ 98,755	\$ 0	\$ 98,755	\$ 112,075
Contributions	<u>572</u>	<u>0</u>	<u>572</u>	<u>725</u>
Total support	99,327	0	99,327	112,800
Revenue:				
Interest	50	0	50	0
Miscellaneous	641	0	641	297
Registration fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,215</u>
Total revenue	<u>691</u>	<u>0</u>	<u>691</u>	<u>1,512</u>
Total support and revenue	<u>100,018</u>	<u>0</u>	<u>100,018</u>	<u>114,312</u>
EXPENSES:				
Programs Services:				
B.R.I.D.G.E.S.	15,180	0	15,180	0
Self Help and Mutual Support	<u>33,588</u>	<u>1,130</u>	<u>34,718</u>	<u>62,662</u>
	48,768	1,130	49,898	62,662
Support Services:				
General and administrative	<u>57,205</u>	<u>1,129</u>	<u>58,334</u>	<u>53,319</u>
Total expenses	<u>105,973</u>	<u>2,259</u>	<u>108,232</u>	<u>115,981</u>
Change in net assets	(5,955)	(2,259)	(8,214)	(1,669)
Net assets, beginning of year	<u>13,552</u>	<u>7,477</u>	<u>21,029</u>	<u>22,698</u>
NET ASSETS END OF YEAR	<u>\$ 7,597</u>	<u>\$ 5,218</u>	<u>\$ 12,815</u>	<u>\$ 21,029</u>

The accompanying notes are an integral part of this statement.

Scalisi, Myers & White (APC)
LAKE CHARLES, LOUISIANA

Confident, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 1998
(with comparative totals for 1997)

	1998				Memorandum Only 1997	
	Program Services		Total Program Services	General and Administrative	Total Program Services and General and Administrative	Total Program Services and General and Administrative
	B.R.I.D.G.E.S.	Self Help and Mutual Support				
Salaries	\$ 0	\$ 17,841	\$ 17,841	\$ 40,390	\$ 58,231	\$ 47,174
Payroll taxes and benefits	0	1,292	1,292	2,925	4,217	4,832
Health insurance	0	968	968	2,192	3,160	2,471
Total salaries and related expenses	0	20,101	20,101	45,507	65,608	54,477
Advertising	0	0	0	0	0	379
Contributions	0	550	550	0	550	28
Convention expense	0	0	0	0	0	31,709
Dues and subscriptions	0	0	0	445	445	162
Flowers and gifts	0	0	0	0	0	60
Miscellaneous	0	0	0	766	766	0
Insurance	0	242	242	548	790	860
Newsletter	0	0	0	0	0	495
Occupancy	0	2,726	2,726	2,726	5,452	5,520
Office expense	391	0	391	780	1,171	1,072
Professional and consulting	0	0	0	2,700	2,700	2,956
Supplies	3,585	0	3,585	2,711	6,296	2,082
Telephone	0	3,068	3,068	1,022	4,090	4,996
Travel and training	11,204	6,901	18,105	0	18,105	8,861
Total expenses before depreciation	15,180	33,588	48,768	57,205	105,973	113,657
Depreciation expense	0	1,130	1,130	1,129	2,259	2,324
Total expenses	<u>\$ 15,180</u>	<u>\$ 34,718</u>	<u>\$ 49,898</u>	<u>\$ 58,334</u>	<u>\$ 108,232</u>	<u>\$ 115,981</u>

The accompanying notes are an integral part of this statement.

Confident, Inc.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1998
(with comparative totals for 1997)

	(Memorandum Only)	
	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants received	\$ 108,349	\$ 108,719
Contributions and revenue received	1,263	2,237
Cash paid for program services	(49,814)	(61,943)
Cash paid for support services	<u>(53,106)</u>	<u>(51,413)</u>
 Net cash provided by (used in) operating activities (Note E)	 6,692	 (2,400)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	(50)	(1,000)
Purchase of fixed assets	<u>0</u>	<u>0</u>
 Net cash used in investing activities	 <u>(50)</u>	 <u>(1,000)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 6,642	 (3,400)
 CASH AND CASH EQUIVALENTS - beginning of period	 <u>2,481</u>	 <u>5,881</u>
 CASH AND CASH EQUIVALENTS - end of period	 <u>\$ 9,123</u>	 <u>\$ 2,481</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

Confident, Inc. is a non-profit mental health consumer advocacy organization which operates statewide. Confident, Inc. coordinates programs with individual drop in centers that are located in various parts of the state. These programs provide activities of social, recreational, educational activities for consumers of mental health services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Property and equipment

Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation amounted to \$2,259 for the year ended June 30, 1998, and is calculated on the straight-line method based on the estimated useful lives below:

Equipment	5 years
Furniture	7 years

The organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$100.

2. Revenue recognition

Revenue from state and federal grants is recorded based on expenses incurred since these grants are on a cost reimbursement basis.

3. Income tax status

Confident, Inc. was incorporated under the laws of the State of Louisiana on February 7, 1992. The corporation is operated exclusively for charitable and educational services and has qualified for the exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - CHANGES IN PROPERTY AND EQUIPMENT

Office Equipment, beginning of period	\$ 13,722
Purchases of Office Equipment - at cost	<u> 0</u>
Office Equipment, end of period	<u>\$ 13,722</u>

NOTE D - COMPENSATED ABSENCES

Employees of Confident, Inc. are entitled to paid vacation, paid sick days and personal days off depending on job classification, length of service and other factors. The value of these compensated absences is usually not recorded due to their immateriality. The organization's policy is to recognize the costs of those compensated absences when actually paid to employees. However, two employees resigned at year end and were subsequently paid their accrued compensated absences which amounted to \$4,329. This amount is reflected in the financial statements as accrued salaries.

Confident, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

NOTE E - STATEMENTS OF CASH FLOWS

Reconciliation of change in net assets to net cash used in operating activities.

Change in net assets	\$ (8,214)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,259
Net decrease in grants receivable	9,594
Net increase in prepaid rent	(460)
Net decrease in accounts payable	(383)
Net decrease in payroll taxes payable	(433)
Net increase in accrued salaries	<u>4,329</u>
Net cash used in operating activities	<u>\$ 6,692</u>

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

SUPPLEMENTAL INFORMATION

Scalisi, Myers & White (APC)
LAKE CHARLES, LOUISIANA



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INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Confident, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Confident, Inc., (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated October 19, 1998.

We conducted our audit in accordance with generally accepted auditing standards 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.

The management of Confident, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Confident, Inc. for the year ended June 30, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we consider the reportable condition described above to be a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Confident, Inc. in a separate letter dated October 19, 1998.

This report is intended for the information of the board of directors, management, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Scalisi, Myers & White (APC)

October 19, 1998



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board Directors
Confident, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Confident, Inc. (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated October 19, 1998.

We conducted our audit in accordance with generally accepted auditing standards 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.

Compliance with laws, regulations, contracts, and grants applicable to Confident, Inc. is the responsibility of Confident, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Confident, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our test disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 1. Confident, Inc. did not comply with requirements regarding the establishment of five new local chapters that are applicable to its Confident, Inc. program. Compliance with such requirements is necessary in our opinion for Confident, Inc. to comply with requirements applicable to that program.

This report is intended for the information of the Board of Directors, management, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Scalisi, Myers & White (APC)

October 19, 1998



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INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL AWARDS

Board Directors
Confident, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Confident, Inc. (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated October 19, 1998. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Confident, Inc. taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Scalisi, Myers & White (P.A.)

October 19, 1998

Confident, Inc.

SCHEDULE OF FEDERAL AWARDS

For the year ended June 30, 1998

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Program or Award Amount	Accrued Revenue at July 1, 1997	Receipts or Revenue Recognized	Federal Disbursements/ Expenditures	Accrued Revenue at June 30, 1998
Pass-through from Louisiana Department of Health and Human Services	93.138	DHH# 50145	\$ 92,386	\$ 7,764	\$ 87,097	\$ 82,552	\$ 3,219
Social Services							
Social Services (State Conference)	93.138	DHH# 58352	0	5,945	5,945	0	0
B.R.I.D.G.E.S. (Social Services)	93.138	DHH# 64776	48,486	0	15,307	16,203	896
			<u>\$140,872</u>	<u>\$ 13,709</u>	<u>\$ 108,349</u>	<u>\$ 98,755</u>	<u>\$ 4,115</u>

The accompanying notes are an integral part of this statement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 1998

CURRENT YEAR FINDINGS

Department of Health and Human Services:

1. Social Services - CFDA 93.138;
Grant No. 330-800370 CFMS 518520 62505 OMH# 98-25-045
Grant Period - year ended June 30, 1998

Statement of Condition: The contract required that five new local chapters of Confident, Inc. be established across the state. Only one new chapter was started during the year.

Criteria: Two chapters in two regions with large rural areas and three chapters in three regions with large urban areas were to be established.

Cause of Condition: Lack of support at the chapter levels and conflicts between the State Board and employees made it impossible to start up the five new chapters.

Recommendation: The Board needs to communicate better and work closely with the chapters.

Response: We will communicate better and work more closely with the local chapters to create the new chapters.

2. Social Services - CFDA 93.138;
Grant No. 330-800370 CFMS 518520 62505 OMH# 98-25-045
Grant Period - year ended June 30, 1998

Statement of Condition: There were internal conflicts between the Board of Directors and both employees which resulted in both employees resigning near year end.

Criteria: The Board and Executive Director need to work together to achieve the goals and objectives of the organization. The office manager is essential to maintaining adequate records that provide an audit trail and complying with monthly cost reimbursement reports.

Cause of Condition: Animosity and poor communication between the Board and employees.

Recommendation: The Board needs to provide clear direction to the employees and support them in carrying out the goals and objectives. A competent office manager is essential to the record keeping of the organization and that vacancy must be filled immediately.

Response: We believe our new office manager hired October 19, 1998 will be able to perform the job competently. We will communicate better and work more closely with the new employees.

Total Questioned Costs

\$ -0-

The accompanying notes are an integral part of this statement.



Scalisi, Myers & White

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Board of Directors
Confident, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Confident, Inc. as of and for the year ended June 30, 1998, and have issued our report thereon dated October 19, 1998. As part of our audit, we made a study and evaluation of Confident, Inc.'s system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on Confident, Inc.'s financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Confident, Inc. is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, the system of internal accounting control of Confident, Inc. was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial statements.

However, we did note several areas which we feel warrant comment.

Last year, we found a few instances where the same disbursement was requested for reimbursement twice. We recommended and management agreed that procedures need to be established to avoid this in the future. The organization reimbursed the state for the over reimbursement this year. We found procedures had improved during the current audit and we noted no inappropriate reimbursement requests.

This year, we noted that both of the organization's employees resigned at year-end due to conflicts with the Board. The office manager position was filled with an individual who didn't seem to possess the technical skills needed to perform the job adequately. We are afraid that the financial records and reimbursement requests for the next fiscal year will not be adequate. We recommend a competent bookkeeper be hired immediately and a Certified Public Accountant be engaged to monitor the financial statements at least quarterly.

These conditions were considered in determining the nature, timing and extent of the tests to be applied in our examination of the June 30, 1998 financial statements and this report does not affect our report on these financial statements dated October 19, 1998.

Scalisi, Myers & White (APC)

October 19, 1998

Confident, Inc.
7809 Airline Drive Suite 204
Metairie, LA 70003
504-738-7622

October 20, 1998

Mr. Daniel G. Kyle
Legislative Auditor
1600 North 3rd Street
P.O. Box 94394
Baton Rouge, LA 70804-9397

RE: Confident, Inc.
FYE 6-30-98

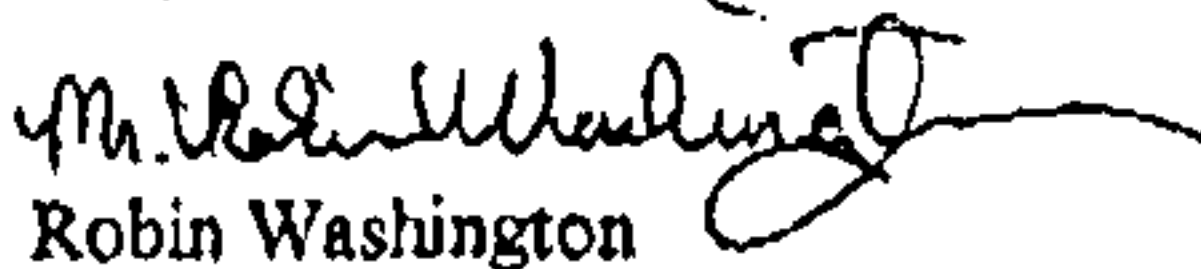
Mr. Kyle:

Our corrective action plan regarding the 6-30-98 audit issues raised is as follows:

1. **Competent bookkeeper and quarterly financials checked by a CPA**
We hired a new office manager/bookkeeper October 19, 1998. We believe she possesses the technical skills needed to perform the job in compliance with grant requirements. The board is taking the suggestion for quarterly monitoring by a CPA under advisement. We will make a decision after we have had a chance to assess the job performance of the new office manager and based upon the availability of funds.
2. **Creation of 5 local chapters**
We were successful in creating one chapter in Oakdale during the last fiscal year. We are currently working closely with the local chapters to assist in creating four more local chapters. However, without an executive director at this time, it is difficult for the volunteer board to devote the time necessary to assist in getting the new chapters started.
3. **Internal conflicts between board and employees**
The board hopes to get a fresh start with our new employees. We will strive to keep communication open. We are looking for a new executive director that we can work closely with and who can provide the leadership the local chapters need.

Please feel free to contact me if you have any questions.

Very truly yours,


Robin Washington
Acting President