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FRIENDS ALLIANCE FOR
THE MENTALLY ILL, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 1998 Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 7 4 1998

Receipt Acknowledged
Legislative Auditor

By Jo Stewart

8-18

FRIENDS ALLIANCE FOR
THE MENTALLY ILL, INC.

A

Year Ended June 30, 1998

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SPILSBURY, HAMILTON, LEGENDRE & PACIERA

KEITH T. HAMILTON, C.P.A.
LEROY P. LEGENDRE, C.P.A.
KIRTH M. PACIERA, C.P.A.
RENE G. GAUTREAU, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS
4731 CANAL ST.
NEW ORLEANS, LA. 70119
(504) 486-5573
FAX (504) 486-6091

SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Executive Director and Board of Directors
Friends Alliance for the Mentally Ill, Inc.
New Orleans, Louisiana

We have audited the accompanying consolidated statement of financial position of Friends Alliance for the Mentally Ill, Inc. (a Louisiana non-profit corporation) as of June 30, 1998, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Friends Alliance for the Mentally Ill, Inc. 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 Friends Alliance for the Mentally Ill, Inc. as of June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated August 18, 1998 on our consideration of Friends Alliance for the Mentally Ill, Inc.'s internal control and on its compliance with laws and regulations.

Executive Director and Board of Directors
Friends Alliance for the Mentally Ill, Inc.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 1997, from which the summarized information was derived.

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

Spilsbury, Hamilton, Legendre, Paciera

August 18, 1998

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998
(With Summarized Financial Information
at June 30, 1997)

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 90,609	\$ 304,965
Certificates of deposit	15,000	55,000
Investments	128,057	0
Due from State agencies	182,138	189,259
Due from non-related working affiliate	6,244	3,930
Prepaid expenses	<u>3,112</u>	<u>16,567</u>
<i>Total Current Assets</i>	<u>425,160</u>	<u>569,721</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	245,000	167,000
Building and improvements	881,602	566,402
Office furniture and equipment	86,194	84,048
Transportation equipment	74,150	94,850
Household equipment	15,644	15,644
Educational, recreational and cultural equipment	<u>1,837</u>	<u>1,837</u>
	1,304,427	929,781
Less: Accumulated depreciation	<u>336,465</u>	<u>329,512</u>
<i>Total Property and Equipment</i>	<u>967,962</u>	<u>600,269</u>
<i>Total Assets</i>	<u>\$1,393,122</u>	<u>\$1,169,990</u>

See accompanying notes to financial statements.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
JUNE 30, 1998
(With Summarized Financial Information
at June 30, 1997)

	<u>1998</u>	<u>1997</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 8,871	\$ 9,236
Salaries payable	29,347	36,761
Payroll taxes payable	0	2,785
Interest payable	1,447	200
Current maturities of long-term debt	151,054	81,002
Due to beneficiaries	<u>6,250</u>	<u>0</u>
<i>Total Current Liabilities</i>	196,969	129,984
<u>LONG-TERM DEBT</u>		
Non-current maturities	109,220	138,419
<u>OTHER LIABILITY</u>		
Annuities payable	<u>152,071</u>	<u>0</u>
<i>Total Liabilities</i>	<u>458,260</u>	<u>268,403</u>
<u>NET ASSETS</u>		
Permanently restricted	372	1,028
Temporarily restricted	99,770	0
Unrestricted	<u>834,720</u>	<u>900,559</u>
<i>Total Net Assets</i>	<u>934,862</u>	<u>901,587</u>
<i>Total Liabilities and Net Assets</i>	<u>\$1,393,122</u>	<u>\$1,169,990</u>

See accompanying notes to financial statements.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
 CONSOLIDATED STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 1998
 (With Summarized Financial Information
 for the Year Ended June 30, 1997)

	<u>Unrestricted</u>
<u>SUPPORT AND REVENUE</u>	
Support:	
Donations	\$ 4,852
Miscellaneous	<u>19,815</u>
<i>Total Support</i>	<u>24,667</u>
Revenue:	
Fees for services - OMH/JPHSA	1,112,000
Interest income	10,205
Dues	3,621
Change in split-interest agreements	(1,841)
Net assets released from restrictions:	
Satisfaction of equipment acquisition restrictions	<u>656</u>
<i>Total Revenue</i>	<u>1,124,641</u>
<i>Total Support and Revenue</i>	<u>1,149,308</u>
<u>EXPENSES</u>	
Program Services:	
Fairweather Lodge	51,373
Case management	55,143
Peer support	86,310
Housing	76,176
Employment	272,536
Drop-in Centers	16,548
Supported living	<u>4,186</u>
<i>Total Program Services</i>	562,272
Supporting Services:	
Medicaid, Trust, and Management and General	<u>652,875</u>
<i>Total Expenses</i>	<u>1,215,147</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>	(65,839)
Net Assets - Beginning of Year	<u>900,559</u>
Net Assets - End of Year	<u>\$ 834,720</u>

See accompanying notes to financial statements.

<u>1998</u>			<u>1997</u>
<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
\$99,770	\$ 0	\$ 104,622	\$ 3,519
<u>0</u>	<u>0</u>	<u>19,815</u>	<u>1,344</u>
99,770	<u>0</u>	<u>124,437</u>	<u>4,863</u>
0	0	1,112,000	1,370,242
0	0	10,205	3,846
0	0	3,621	3,795
0	0	(1,841)	0
<u>0</u>	<u>(656)</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>(656)</u>	<u>1,123,985</u>	<u>1,377,883</u>
99,770	<u>(656)</u>	<u>1,248,422</u>	<u>1,382,746</u>
0	0	51,373	52,678
0	0	55,143	57,432
0	0	86,310	84,552
0	0	76,176	69,351
0	0	272,536	267,678
0	0	16,548	18,570
<u>0</u>	<u>0</u>	<u>4,186</u>	<u>8,070</u>
0	0	562,272	558,331
<u>0</u>	<u>0</u>	<u>652,875</u>	<u>670,685</u>
<u>0</u>	<u>0</u>	<u>1,215,147</u>	<u>1,229,016</u>
99,770	(656)	33,275	153,730
<u>0</u>	<u>1,028</u>	<u>901,587</u>	<u>747,857</u>
<u>\$99,770</u>	<u>\$ 372</u>	<u>\$ 934,862</u>	<u>\$ 901,587</u>

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1998
(With Summarized Financial Information
for the Year Ended June 30, 1997)

	Program			
	Fair- weather <u>Lodge</u>	Case Manage- <u>ment</u>	Peer Support	<u>Housing</u>
Advertising	\$ 15	\$ 12	\$ 20	\$ 25
Bank charges	0	0	0	0
Client assistance	0	0	7,242	3,944
Depreciation	1,319	1,242	1,991	1,673
Dues and subscriptions	16	6	19	17
Field travel	24	4,054	28	2,663
Insurance	2,882	5,987	6,977	6,194
Interest	1,067	1,004	1,611	1,353
Maintenance and repairs	596	404	840	1,099
Miscellaneous	0	0	0	0
Office supplies	206	163	260	463
Other supplies	204	172	236	527
Payment to beneficiaries	0	0	0	0
Payroll taxes	3,141	2,941	4,755	3,988
Postage	89	74	119	231
Printing	197	130	277	175
Professional fees	2,180	1,298	2,617	2,317
Retirement	193	64	225	193
Salaries	38,410	36,177	58,039	48,785
Taxes and licenses	0	0	0	0
Telephone	208	893	259	730
Training	0	0	0	148
Utilities	<u>626</u>	<u>522</u>	<u>795</u>	<u>1,651</u>
Total	<u>\$51,373</u>	<u>\$55,143</u>	<u>\$86,310</u>	<u>\$76,176</u>

See accompanying notes to financial statements.

<u>Services</u>				<u>Supporting Services</u>	<u>Total 1998 Program and Supporting Services Expenses</u>	<u>Total 1997</u>
<u>Employ- ment</u>	<u>Drop-in Centers</u>	<u>Supported Living</u>	<u>Total 1998</u>	<u>Medicaid, Trust, and Management and General</u>		
\$ 311	\$ 15	\$ 0	\$ 398	\$ 1,117	\$ 1,515	\$ 2,893
0	0	0	0	965	965	971
0	0	0	11,186	0	11,186	6,320
6,523	357	77	13,182	14,471	27,653	31,404
554	6	6	624	950	1,574	2,083
5,620	8	8	12,405	7,487	19,892	25,614
18,167	695	481	41,383	72,069	113,452	109,215
5,277	289	63	10,664	10,523	21,187	23,881
2,249	400	84	5,672	11,997	17,669	22,546
8,395	0	0	8,395	3,988	12,383	30,039
1,212	282	46	2,632	5,734	8,366	11,949
955	1,141	113	3,348	12,356	15,704	4,343
0	0	0	0	6,250	6,250	0
15,507	848	185	31,365	31,337	62,702	64,892
596	160	30	1,299	1,971	3,270	3,321
1,673	62	63	2,577	2,623	5,200	3,138
9,690	429	359	18,890	24,926	43,816	26,552
801	64	64	1,604	1,608	3,212	25,002
190,037	10,329	2,285	384,062	420,342	804,404	802,570
0	0	0	0	2,596	2,596	325
1,724	418	61	4,293	6,398	10,691	7,556
198	28	0	374	734	1,108	2,741
<u>3,047</u>	<u>1,017</u>	<u>261</u>	<u>7,919</u>	<u>12,433</u>	<u>20,352</u>	<u>21,661</u>
<u>\$272,536</u>	<u>\$16,548</u>	<u>\$4,186</u>	<u>\$562,272</u>	<u>\$652,875</u>	<u>\$1,215,147</u>	<u>\$1,229,016</u>

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1998
(With Summarized Financial Information
for the Year Ended June 30, 1997)

	<u>1998</u>	<u>1997</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 33,275	\$153,730
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	27,653	31,404
Net decrease in receivables and prepaid expenses	20,576	88,809
Net increase (decrease) in accounts payable	(365)	2,457
Net increase (decrease) in accrued liabilities	(8,952)	1,490
Donated equipment	0	(1,500)
Contributions restricted for long-term investments	(99,770)	0
Change in split-interest agreements	<u>1,841</u>	<u>0</u>
Net Cash Provided by (Used for) Operating Activities	<u>(25,742)</u>	<u>276,390</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of certificate of deposit	0	(15,000)
Proceeds from redemption of certificate of deposit	40,000	0
Purchase of property and equipment	(275,346)	(3,702)
Net (increase) in loans to non-related working affiliates	(2,314)	(80)
Proceeds from sale of trust property	217,455	0
Purchase of investments	(128,057)	0
Proceeds from gift annuities	<u>32,545</u>	<u>0</u>
Net Cash (Used for) Investing Activities	<u>(115,717)</u>	<u>(18,782)</u>

See accompanying notes to financial statements.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)
YEAR ENDED JUNE 30, 1998
(With Summarized Financial Information
for the Year Ended June 30, 1997)

	<u>1998</u>	<u>1997</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of loan payable to non-related working affiliate	\$ 0	\$ (4,500)
Repayment of notes payable	(79,147)	(38,266)
Payments on annuities payable	<u>6,250</u>	<u>0</u>
Net Cash (Used for) Financing Activities	<u>(72,897)</u>	<u>(42,766)</u>
Net Increase (Decrease) in Cash	(214,356)	214,842
Cash at Beginning of Year	<u>304,965</u>	<u>90,123</u>
Cash at End of Year	<u>\$ 90,609</u>	<u>\$304,965</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for -		
Interest	\$ <u>19,940</u>	\$ <u>24,112</u>
Income taxes	\$ <u>0</u>	\$ <u>0</u>
Non-Cash Investing and Financing Transactions -		
Donated property and equipment	\$ <u>217,455</u>	\$ <u>1,500</u>
Building and land acquired through mortgage payable	\$ <u>120,000</u>	\$ <u>0</u>

See accompanying notes to financial statements.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

A. Description of Organization

Business Activity

Friends Alliance for the Mentally Ill, Inc. ("Friends AMI"), is a non-profit organization which operates in the New Orleans Metropolitan Area. It has several "Fees for Services" contracts with the Louisiana Office of Mental Health and also receives other funding from dues and donations. The Organization is dedicated to creating an environment to help individuals who have been socially and vocationally disabled by mental illness to achieve or regain the confidence and skills to live vocationally productive and socially satisfying lives.

The Charitable Remainder Annuity Trust ("Trust") was formed on December 19, 1997. The principal beneficiary of this trust is Friends AMI and the Executive Director serves as the Trustee.

B. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Friends AMI and the Trust. All significant inter-Company transactions have been eliminated.

Basis of Accounting

The financial statements of Friends AMI have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Friends AMI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 1998

Summary of Significant Accounting Policies (Cont'd)

Estimates

Friends AMI uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Friends AMI considers all investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Friends AMI capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Net Assets

Net assets are included in one of the following three classes of net assets, depending on the presence and type of donor-imposed restrictions.

Unrestricted Net Assets - Those net assets whose use is not restricted by donors.

Temporarily Restricted Net Assets - Those net assets whose use has been limited by donors (a) to later periods of time or after specified dates, or (b) to specific purposes.

Permanently Restricted Net Assets - Net assets subject to State-imposed stipulations that resources be maintained permanently, but permits the organization to use up the economic benefit derived from these assets.

Medicaid

Friends AMI receives Medicaid funding under a fixed price arrangement. These amounts are specifically excluded from OMB Circular A-133 audit requirements. Medicaid funds totaling \$221,600 were received in 1998 and are included in program service fees.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 1998

Summary of Significant Accounting Policies (Cont'd)

Expense Allocation

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

Investments

Friends AMI elected to adopt SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," in 1997. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the changes in unrestricted or temporarily restricted net assets, depending on whether or not there are donor-imposed restrictions on the gains and losses.

Income Taxes

Friends AMI is exempt from Federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code, and is listed in the Treasury's charitable contribution directory.

C. Certificates of Deposit

Funds in Deposit Guaranty National Bank, Jackson, Mississippi, at June 30, 1998 are as follows:

4.60% Certificate of deposit due on August 31, 1999	<u>\$15,000</u>
--	-----------------

The certificate of deposit is stated at cost. The \$15,000 certificate is pledged as collateral to secure the letter of credit (see Footnote N).

D. Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are stated at fair value, which is based on quoted market prices for those investments. The value of the investments, held in a Government Money Market Fund, at June 30, 1998 was \$128,057.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
 NOTES TO FINANCIAL STATEMENTS
 (Continued)
 JUNE 30, 1998

Investments (Cont'd)

Interest income on the investments for the year ended June 30, 1998, classified as *Unrestricted* in the Consolidated Statement of Activities, was \$10,205.

E. Due from State Agencies

Due from State Agencies at June 30, 1998 is summarized as follows.

Office of Human Services,	\$137,688
Division of Mental Health	<u>44,450</u>
Medicaid	
<i>Total</i>	<u>\$182,138</u>

Management considers all receivables for the year ended June 30, 1998 to be collectible; accordingly, no allowance for doubtful accounts was provided.

F. Due from Non-related Working Affiliate

Friends AMI transfers monies to Friends Alliance Housing, Inc., an unrelated affiliated corporation. At June 30, 1998, the amount receivable was \$6,244. These funds are non-interest-bearing and have no repayment terms.

G. Property and Equipment

The related lives and accumulated depreciation for each category of assets is as follows:

<u>Asset</u>	<u>Life</u>	<u>Accumulated Depreciation</u>
Building and improvements	7 - 30 years	\$171,931
Furniture and equipment	5 - 10 years	79,949
Transportation equipment	5 years	70,402
Household equipment	5 - 7 years	12,603
Educational, recreational, and cultural equipment	7 years	<u>1,580</u>
		<u>\$336,465</u>

Movable property with a cost of \$125,119 and a book value of \$372 has been acquired with State grant funds, and has been capitalized as a component of property and equipment. Title and disposition control over such assets rests with the State of Louisiana. Accordingly, \$372 is considered permanently restricted net assets at June 30, 1998.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 1998

H. Long-term Debt

Friends AMI's obligations under mortgages, notes payable and lease obligations consist of the following:

In October 1992, Friends AMI entered into a financing agreement on the property at 830 Audubon Street, New Orleans, Louisiana. The financing was provided by the American Bank for the amount of \$85,400, which was acquired by Hibernia National Bank in 1996. The note bears interest at the rate of Chase Manhattan's prime rate plus 2.5% per annum, with required monthly payments of interest and principal amounting to \$1,059 through January 2004. On March 31, 1998, this loan was refinanced by Deposit Guaranty National Bank in conjunction with the purchase of property located at 1538 Louisiana Avenue, New Orleans, Louisiana. The loan, in the amount of \$55,679, bears interest at 9.5%, with required monthly payments of interest and principal amounting to \$1,173.09 through March 30, 2003.

\$ 54,209

On March 31, 1998, Friends AMI entered into a financing agreement on the property at 1538 Louisiana Avenue. The financing was provided by Deposit Guaranty National Bank in the amount of \$120,000. The note bears interest at 9.5%, and is payable in one principal payment due on September 30, 1998. Both loans are secured by a Pledge of Collateral Mortgage in the amount of \$300,000 on 830 Audubon Street and 1538 Louisiana Avenue, New Orleans, LA.

120,000

In August 1992, Friends AMI acquired the Westbank location at 2051 Eighth Street in Harvey, Louisiana. The financing was provided by Gerald S. Carr in the amount of \$150,000. The note bears interest at a rate of 10% per annum, with required monthly payments of interest and principal amounting to \$1,982 through August 2002.

80,786

On September 14, 1993, Friends AMI purchased the Eastbank Club property located at 3224 Florida Avenue in Kenner, Louisiana. The purchase price of this property was \$137,245. The outstanding balances for the purchase of this property as of June 30, 1998 is as follows:

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 1998

Long-term Debt (Cont'd)

A first mortgage amortizable over five years bearing 9% interest per annum, and required monthly payments of interest and principal amounting to \$1,204 through September 1998.	\$ 3,870
A second mortgage amortizable over five years, bearing 7% interest per annum, and required monthly payments of interest and principal amounting to \$475 through September 1998.	<u>1,409</u>
<i>Total</i>	<u>\$260,274</u>

Following is the schedule of future maturities of long-term debt.

Year ended June 30,	
1999	\$151,054
2000	28,423
2001	31,344
2002	34,564
2003	<u>14,889</u>
	<u>\$260,274</u>

I. Permanently Restricted Net Assets

At June 30, 1998, the permanently restricted net assets consisted of custodial assets totaling \$372. These custodial assets, comprised of furniture and equipment (stated net of accumulated depreciation) purchased with State funds, would revert to the State in the event of the dissolution of Friends Alliance for the Mentally Ill, Inc.

J. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Restricted for life of donor:	
Charitable remainder trust	<u>\$99,770</u>

K. Annuity Payable

Friends AMI has entered into a gift annuity agreement whereby it accepted a donation and in return agreed to pay a fixed amount on a quarterly basis until the annuitant's death. A liability of \$152,071 has been recorded for the present value of the expected payout, based on life expectancy.

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 1998

L. Concentration of Credit Risk/Major Customers

Contracts with the State of Louisiana and Jefferson Parish, all of which are renewable annually, totaled \$890,400, or approximately 80% of service fee income.

Funds received from Medicaid totaled \$221,600, or approximately 20% of service fee income.

At June 30, 1998, unsecured receivables from these agencies totaled \$182,138. Financial instruments that potentially subject Friends AMI to credit risk include these accounts receivable.

Friends AMI extends unsecured credit to the State of Louisiana. Financial instruments that potentially subject Friends AMI to credit risk include these accounts, which are shown as *Due from State Agencies*.

M. Retirement Plan

On March 21, 1995, Friends AMI began offering a defined contribution profit-sharing plan for its employees. The employers' annual contribution was determined each year by Friends AMI's net profit. The plan was administered by the employer.

On July 1, 1997, Friends AMI converted its pension plan to a 401(k) plan. Employees electing to participate in the plan may elect to defer up to a maximum of 15% of compensation. The plan allows Friends AMI to make a discretionary match.

Friends AMI contributed \$3,212 to the retirement plan for the year ended June 30, 1998.

N. Contingencies

Friends AMI has a letter of credit for \$15,000. This letter of credit is an agreement with a bank to guaranty the compliance with a contract between Friends AMI and the Louisiana Department of Health and Hospitals Region I - Community Services. No amounts are outstanding on the letter of credit at June 30, 1998. The letter of credit expires June 30, 1999.

Friends AMI is a defendant in various civil actions. Friends AMI intends to vigorously defend these actions which it considers groundless. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

SUPPLEMENTARY INFORMATION

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
SCHEDULE OF ACTIVITIES - BY BRANCH
YEAR ENDED JUNE 30, 1998

	<u>Region I</u>	<u>Region X</u>		<u>Total</u>
	Audubon Friendship Club	West	East	
		Jefferson Friendship Club	Jefferson Friendship Club	
<u>SUPPORT AND REVENUE</u>				
Support:				
Donations	\$104,271	\$ 351	\$ 0	\$ 104,622
Miscellaneous	19,445	270	100	19,815
Revenue:				
Fees for services	746,769	196,603	168,628	1,112,000
Interest income	10,205	0	0	10,205
Dues	3,621	0	0	3,621
Change in split- interest agreements	<u>(1,841)</u>	<u>0</u>	<u>0</u>	<u>(1,841)</u>
 Total Support and Revenue	 <u>882,470</u>	 <u>197,224</u>	 <u>168,728</u>	 <u>1,248,422</u>
<u>OPERATING EXPENSES</u>				
Advertising	1,395	20	100	1,515
Bank charges	965	0	0	965
Depreciation	17,728	5,458	4,467	27,653
Dues and subscriptions	1,188	222	164	1,574
Client assistance	11,186	0	0	11,186
Field travel	12,151	5,643	2,098	19,892
Insurance	84,379	19,112	9,961	113,452
Interest	13,358	4,215	3,614	21,187
Maintenance and repairs	11,790	2,698	3,181	17,669
Miscellaneous	12,067	134	182	12,383
Office supplies	5,711	1,105	1,550	8,366
Other supplies	8,720	3,364	3,620	15,704
Payments to beneficiaries	6,250	0	0	6,250
Payroll taxes	40,476	12,207	10,019	62,702
Postage	2,021	597	652	3,270
Printing	3,712	788	700	5,200
Professional fees	33,316	6,447	4,053	43,816
Retirement	2,215	483	514	3,212
Salaries	515,598	158,835	129,971	804,404
Taxes and licenses	2,231	150	215	2,596
Telephone	5,796	2,455	2,440	10,691
Training	374	247	487	1,108
Utilities	<u>12,768</u>	<u>4,873</u>	<u>2,711</u>	<u>20,352</u>
 Total Operating Expenses	 <u>805,395</u>	 <u>229,053</u>	 <u>180,699</u>	 <u>1,215,147</u>
 <u>INCREASE IN NET ASSETS</u>	 <u>\$ 77,075</u>	 <u>\$(31,829)</u>	 <u>\$(11,971)</u>	 <u>\$ 33,275</u>

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
 SCHEDULE OF ACTIVITIES - BY BRANCH
 (Continued)
 YEAR ENDED JUNE 30, 1997

	<u>Region I</u>	<u>Region X</u>		<u>Total</u>
	Audubon Friendship Club	West Jefferson Friendship Club	East Jefferson Friendship Club	
<u>SUPPORT AND REVENUE</u>				
Support:				
Donations	\$ 2,176	\$ 0	\$ 1,343	\$ 3,519
Miscellaneous	1,344	0	0	1,344
Revenue:				
Fees for services	701,611	323,811	344,820	1,370,242
Interest income	3,846	0	0	3,846
Dues	<u>3,795</u>	<u>0</u>	<u>0</u>	<u>3,795</u>
Total Support and Revenue	<u>712,772</u>	<u>323,811</u>	<u>346,163</u>	<u>1,382,746</u>
<u>OPERATING EXPENSES</u>				
Advertising	2,043	378	472	2,893
Bank charges	971	0	0	971
Depreciation	16,559	6,419	8,426	31,404
Dues and subscriptions	1,089	473	521	2,083
Emergency housing cost	6,320	0	0	6,320
Field travel	16,490	4,771	4,353	25,614
Insurance	63,975	21,558	23,682	109,215
Interest	13,945	4,729	5,207	23,881
Maintenance and repairs	11,633	6,726	4,187	22,546
Miscellaneous	14,741	7,551	7,747	30,039
Office supplies	5,143	4,294	2,512	11,949
Other supplies	2,347	843	1,153	4,343
Payroll taxes	37,784	14,252	12,856	64,892
Postage	1,811	1,142	368	3,321
Printing	1,675	712	751	3,138
Professional fees	17,222	4,442	4,888	26,552
Retirement	14,484	5,542	4,976	25,002
Salaries	460,939	180,823	160,808	802,570
Taxes and licenses	0	175	150	325
Telephone	3,589	2,031	1,936	7,556
Training	1,500	563	678	2,741
Utilities	<u>10,773</u>	<u>4,996</u>	<u>5,892</u>	<u>21,661</u>
Total Operating Expenses	<u>705,033</u>	<u>272,420</u>	<u>251,563</u>	<u>1,229,016</u>
INCREASE IN NET ASSETS	<u>\$ 7,739</u>	<u>\$ 51,391</u>	<u>\$ 94,600</u>	<u>\$ 153,730</u>

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
 SCHEDULE OF ACTIVITIES - BY PROGRAM
 YEAR ENDED JUNE 30, 1998

	<u>Audubon, Trust and Administrative</u>	<u>West Jefferson Friendship Club</u>	<u>East Jefferson Friendship Club</u>	<u>Fair- weather Lodge</u>
<u>SUPPORT AND REVENUE</u>				
Support:				
Donations	\$104,271	\$ 351	\$ 0	\$ 0
Miscellaneous	18,637	270	100	0
Revenue:				
Fees for services	215,095	138,416	156,541	39,335
Interest income	10,205	0	0	0
Dues	3,565	0	0	0
Change in split-interest agreements	<u>(1,841)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>349,932</u>	<u>139,037</u>	<u>156,641</u>	<u>39,335</u>
<u>OPERATING EXPENSES</u>				
Advertising	1,024	0	93	15
Bank charges	965	0	0	0
Depreciation	6,222	4,037	4,212	1,319
Dues and subscriptions	582	213	155	16
Client assistance	0	0	0	0
Field travel	3,816	1,585	2,086	24
Insurance	50,159	12,777	9,133	2,882
Interest	4,050	3,066	3,407	1,067
Maintenance and repairs	7,006	2,094	2,897	596
Miscellaneous	3,672	134	182	0
Office supplies	3,570	801	1,363	206
Other supplies	6,798	2,621	2,937	204
Payments to beneficiaries	6,250	0	0	0
Payroll taxes	13,085	8,842	9,410	3,141
Postage	986	443	542	89
Printing	1,390	627	606	197
Professional fees	16,512	4,934	3,480	2,180
Retirement	803	387	418	193
Salaries	180,327	117,494	122,521	38,410
Taxes and licenses	2,231	150	215	0
Telephone	2,875	1,353	2,170	208
Training	28	233	473	0
Utilities	<u>6,649</u>	<u>3,842</u>	<u>1,942</u>	<u>626</u>
Total Operating Expenses	<u>319,000</u>	<u>165,633</u>	<u>168,242</u>	<u>51,373</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 30,932</u>	<u>\$(26,596)</u>	<u>\$(11,601)</u>	<u>\$(12,038)</u>

<u>Case Management</u>	<u>Peer Support</u>	<u>Housing</u>	<u>Employment</u>	<u>Drop-in Centers</u>	<u>Supported Living</u>	<u>Total</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,622
0	0	788	20	0	0	19,815
49,619	71,485	30,687	390,167	17,135	3,520	1,112,000
0	0	0	0	0	0	10,205
0	0	0	56	0	0	3,621
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,841)</u>
<u>49,619</u>	<u>71,485</u>	<u>31,475</u>	<u>390,243</u>	<u>17,135</u>	<u>3,520</u>	<u>1,248,422</u>
12	20	25	311	15	0	1,515
0	0	0	0	0	0	965
1,242	1,991	1,673	6,523	357	77	27,653
6	19	17	554	6	6	1,574
0	7,242	3,944	0	0	0	11,186
4,054	28	2,663	5,620	8	8	19,892
5,987	6,977	6,194	18,167	695	481	113,452
1,004	1,611	1,353	5,277	289	63	21,187
404	840	1,099	2,249	400	84	17,669
0	0	0	8,395	0	0	12,383
163	260	463	1,212	282	46	8,366
172	236	527	955	1,141	113	15,704
0	0	0	0	0	0	6,250
2,941	4,755	3,988	15,507	848	185	62,702
74	119	231	596	160	30	3,270
130	277	175	1,673	62	63	5,200
1,298	2,617	2,317	9,690	429	359	43,816
64	225	193	801	64	64	3,212
36,177	58,039	48,785	190,037	10,329	2,285	804,404
0	0	0	0	0	0	2,596
893	259	730	1,724	418	61	10,691
0	0	148	198	28	0	1,108
<u>522</u>	<u>795</u>	<u>1,651</u>	<u>3,047</u>	<u>1,017</u>	<u>261</u>	<u>20,352</u>
<u>55,143</u>	<u>86,310</u>	<u>76,176</u>	<u>272,536</u>	<u>16,548</u>	<u>4,186</u>	<u>1,215,147</u>
<u>\$(5,524)</u>	<u>\$(14,825)</u>	<u>\$(44,701)</u>	<u>\$117,707</u>	<u>\$ 587</u>	<u>\$(666)</u>	<u>\$ 33,275</u>

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
 SCHEDULE OF ACTIVITIES - BY PROGRAM
 (Continued)
 YEAR ENDED JUNE 30, 1997

	<u>Audubon and Administrative</u>	<u>West Jefferson Friendship Club</u>	<u>East Jefferson Friendship Club</u>	<u>Fair- weather Lodge</u>
<u>SUPPORT AND REVENUE</u>				
Support:				
Donations	\$ 0	\$ 0	\$ 1,343	\$ 0
Miscellaneous	40	0	0	0
Revenue:				
Fees for services	266,616	194,527	212,016	40,243
Interest income	0	0	0	0
Dues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>266,656</u>	<u>194,527</u>	<u>213,359</u>	<u>40,243</u>
<u>OPERATING EXPENSES</u>				
Advertising	978	165	245	86
Bank charges	971	0	0	0
Depreciation	6,272	4,294	5,901	4,016
Dues and subscriptions	331	296	344	5
Emergency housing cost	0	0	0	0
Field travel	3,621	1,153	735	0
Insurance	36,876	13,792	14,341	4,048
Interest	5,970	3,105	3,105	1,433
Maintenance and repairs	8,555	5,874	3,261	246
Miscellaneous	13,607	6,462	6,658	113
Office supplies	2,884	2,908	1,102	282
Other supplies	1,321	571	839	139
Payroll taxes	17,034	9,247	7,443	3,000
Postage	998	920	138	101
Printing	811	356	372	115
Professional fees	9,634	2,884	3,008	1,388
Retirement	6,755	3,642	2,925	1,107
Salaries	213,375	119,951	95,683	35,803
Taxes and licenses	0	175	150	0
Telephone	1,953	1,462	1,309	165
Training	325	142	257	0
Utilities	<u>5,575</u>	<u>3,484</u>	<u>4,140</u>	<u>631</u>
Total Operating Expenses	<u>337,846</u>	<u>180,883</u>	<u>151,956</u>	<u>52,678</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$(71,190)</u>	<u>\$ 13,644</u>	<u>\$ 61,403</u>	<u>\$(12,435)</u>

<u>Case Management</u>	<u>Peer Support</u>	<u>Housing</u>	<u>Employment</u>	<u>Drop-in Centers</u>	<u>Supported Living</u>	<u>Total</u>
\$ 0	\$ 0	\$ 2,176	\$ 0	\$ 0	\$ 0	\$ 3,519
0	0	1,304	0	0	0	1,344
54,971	75,983	39,622	465,244	17,500	3,520	1,370,242
0	0	3,846	0	0	0	3,846
<u>0</u>	<u>0</u>	<u>3,795</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,795</u>
<u>54,971</u>	<u>75,983</u>	<u>50,743</u>	<u>465,244</u>	<u>17,500</u>	<u>3,520</u>	<u>1,382,746</u>
71	114	389	795	36	14	2,893
0	0	0	0	0	0	971
729	1,167	2,344	4,599	1,682	400	31,404
3	6	221	877	0	0	2,083
0	1,273	5,047	0	0	0	6,320
4,578	6,419	2,460	6,648	0	0	25,614
7,553	8,284	3,639	18,547	560	1,575	109,215
478	1,671	1,433	5,730	478	478	23,881
225	383	1,415	1,724	789	74	22,546
94	55	151	1,358	1,541	0	30,039
1,795	376	571	1,716	291	24	11,949
103	186	312	647	183	42	4,343
3,013	4,635	3,561	15,925	626	408	64,892
84	135	231	576	130	8	3,321
49	149	122	797	344	23	3,138
674	1,630	1,388	5,302	322	322	26,552
1,194	1,728	1,337	5,930	233	151	25,002
35,704	55,262	42,417	190,138	9,984	4,253	802,570
0	0	0	0	0	0	325
417	238	593	1,067	294	58	7,556
142	0	125	1,750	0	0	2,741
<u>526</u>	<u>841</u>	<u>1,595</u>	<u>3,552</u>	<u>1,077</u>	<u>240</u>	<u>21,661</u>
<u>57,432</u>	<u>84,552</u>	<u>69,351</u>	<u>267,678</u>	<u>18,570</u>	<u>8,070</u>	<u>1,229,016</u>
<u>\$(2,461)</u>	<u>\$(8,569)</u>	<u>\$(18,608)</u>	<u>\$197,566</u>	<u>\$(1,070)</u>	<u>\$(4,550)</u>	<u>\$ 153,730</u>

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998
(With Summarized Financial Information
at June 30, 1997)

ASSETS

Friends Alliance
for the
Mentally Ill,
Inc.

CURRENT ASSETS

Cash	\$ 77,759
Certificates of deposit	15,000
Investments	44,788
Due from State agencies	182,138
Due from non-related working affiliate	6,244
Prepaid taxes	3,112
Accrued interest receivable	0
Note receivable - Current portion	<u>0</u>

Total Current Assets 329,041

PROPERTY AND EQUIPMENT

Land	245,000
Building and improvements	881,602
Office furniture and equipment	86,194
Transportation equipment	15,644
Household equipment	74,150
Educational, recreational and cultural equipment	<u>1,837</u>

Less: Accumulated depreciation	1,304,427
	<u>336,465</u>

Total Property and Equipment 967,962

OTHER ASSETS

Note receivable - Friends Alliance for the Mentally Ill, Inc.	0
Investment in trust	<u>250,000</u>

Total Other Asset 250,000

Total Assets \$1,547,003

<u>Charitable Remainder Trust</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
\$ 12,850	\$ 0	\$ 90,609
0	0	15,000
83,269	0	128,057
0	0	182,138
0	0	6,244
0	0	3,112
342	(342)	0
<u>1,625</u>	<u>(1,625)</u>	<u>0</u>
<u>98,086</u>	<u>(1,967)</u>	<u>425,160</u>
0	0	245,000
0	0	881,602
0	0	86,194
0	0	15,644
0	0	74,150
<u>0</u>	<u>0</u>	<u>1,837</u>
0	0	1,304,427
<u>0</u>	<u>0</u>	<u>336,465</u>
<u>0</u>	<u>0</u>	<u>967,962</u>
158,375	(158,375)	0
<u>0</u>	<u>(250,000)</u>	<u>0</u>
<u>158,375</u>	<u>(408,375)</u>	<u>0</u>
<u>\$256,461</u>	<u>\$(410,342)</u>	<u>\$1,393,122</u>

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION
 (Continued)
 JUNE 30, 1998
 (With Summarized Financial Information
 at June 30, 1997)

Friends Alliance
 for the
 Mentally Ill,
 Inc.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 8,871
Salaries payable	29,347
Interest payable	1,789
Current maturities of long-term debt	152,679
Due to beneficiaries	<u>0</u>

Total Current Liabilities 192,686

OTHER LIABILITY

Annuities payable	152,071
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LONG-TERM DEBT

Non-current maturities	<u>267,595</u>
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Total Liabilities 612,352

NET ASSETS

Permanently restricted	372
Temporarily restricted	99,770
Unrestricted	<u>834,509</u>

Total Net Assets 934,651

Total Liabilities and Net Assets \$1,547,003

<u>Charitable Remainder Trust</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
\$ 0	\$ 0	\$ 8,871
0	0	29,347
0	342	1,447
0	1,625	151,054
<u>6,250</u>	<u>0</u>	<u>6,250</u>
6,250	1,967	196,969
0	0	152,071
<u>0</u>	<u>158,375</u>	<u>109,220</u>
<u>6,250</u>	<u>160,342</u>	<u>458,260</u>
0	0	372
250,000	250,000	99,770
<u>211</u>	<u>0</u>	<u>834,720</u>
<u>250,211</u>	<u>250,000</u>	<u>934,862</u>
<u>\$256,461</u>	<u>\$410,342</u>	<u>\$1,393,122</u>

FRIENDS ALLIANCE FOR THE MENTALLY ILL, INC.
 CONSOLIDATING STATEMENT OF ACTIVITIES
 YEAR ENDING JUNE 30, 1998
 (With Summarized Financial Information
 for the Year Ended June 30, 1997)

Friends Alliance
 for the
 Mentally Ill,
 Inc.

SUPPORT AND REVENUE

Support:

Donations	\$ 104,622
Miscellaneous	<u>19,815</u>

<i>Total Support</i>	<u>124,437</u>
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Revenue:

Fees for services - OMH/JPHSA	1,112,000
Interest income	4,071
Dues	3,621
Change in split-interest agreement	<u>(1,841)</u>

<i>Total Revenue</i>	<u>1,117,851</u>
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<i>Total Support and Revenue</i>	<u>1,242,288</u>
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EXPENSES

Program Services:

Fairweather Lodge	51,373
Case management	55,143
Peer support	86,310
Housing	76,176
Employment	272,536
Drop-in Centers	16,548
Supported living	<u>4,186</u>

<i>Total Program Services</i>	562,272
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Supporting Services:

Medicaid, Trust and Management and General	<u>646,952</u>
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<i>Total Expenses</i>	<u>1,209,224</u>
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INCREASE IN NET ASSETS

\$ 33,064

<u>Charitable Remainder Trust</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
\$ 0	\$ 0	\$ 104,622
<u>0</u>	<u>0</u>	<u>19,815</u>
<u>0</u>	<u>0</u>	<u>124,437</u>
0	0	1,112,000
6,476	342	10,205
0	0	3,621
<u>0</u>	<u>0</u>	<u>(1,841)</u>
<u>6,476</u>	<u>342</u>	<u>1,123,985</u>
<u>6,476</u>	<u>342</u>	<u>1,248,422</u>
0	0	51,373
0	0	55,143
0	0	86,310
0	0	76,176
0	0	272,536
0	0	16,548
<u>0</u>	<u>0</u>	<u>4,186</u>
0	0	562,272
<u>6,265</u>	<u>(342)</u>	<u>652,875</u>
<u>6,265</u>	<u>(342)</u>	<u>1,215,147</u>
<u>\$ 211</u>	<u>\$ 0</u>	<u>\$ 33,275</u>

SPILSBURY, HAMILTON, LEGENDRE & PACIERA

KEITH T. HAMILTON, C.P.A.
LEROY P. LEGENDRE, C.P.A.
KIRTH M. PACIERA, C.P.A.
RENE G. GAUTREAU, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS
4731 CANAL ST.
NEW ORLEANS, LA. 70119
(504) 486-5573
FAX (504) 486-6091

SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

Executive Director and Board of Directors
Friends Alliance for the Mentally Ill, Inc.
New Orleans, Louisiana

We have audited the financial statements of Friends Alliance for the Mentally Ill, Inc. ("Friends AMI") as of and for the year ended June 30, 1998, and have issued our report thereon dated August 18, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Friends AMI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Friends AMI's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components

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

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Spilsbury, Hamilton, Legendre & Paciera

August 18, 1998

SPILSBURY, HAMILTON, LEGENDRE & PACIERA

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

Executive Director and Board of Directors
Friends Alliance for the Mentally Ill, Inc.
New Orleans, Louisiana

We have audited the financial statements of Friends Alliance for the Mentally Ill, Inc. (a non-profit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated August 18, 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 Friends Alliance for the Mentally Ill, Inc. is the responsibility of the management of Friends Alliance for the Mentally Ill, Inc. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Friends AMI'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 tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Spilsbury, Hamilton, Legendre & Paciera

August 18, 1998