

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 5-Investments

Investments stated at fair value at June 30, 1996 and 1995, are as follows:

	<u>1996</u>	<u>1995</u>
<u>Unrestricted</u>		
Investments in certificates of deposit with maturities from six months to four years and interest rates from 5% to 6.75%.	<u>\$590,000</u>	<u>\$575,000</u>
<u>Temporarily Restricted</u>		
Investments in certificates of deposit with maturities from six months to two years and interest rates from 4.5% to 6.85%.	\$190,000	\$190,000
Federal Home Loan Mortgage Corp. with a yield of 7%	<u>50,176</u>	<u>51,929</u>
	<u>240,176</u>	<u>241,929</u>

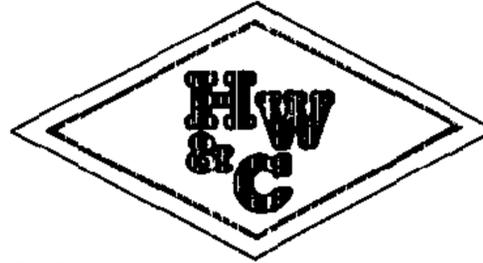
Investment income from cash equivalents and investments is comprised of the following for the year ended June 30, 1996.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Dividends and interest	\$41,048	\$14,415	\$55,463
Net unrealized gains (loss)	<u> </u>	<u>(1,753)</u>	<u>(1,753)</u>
<u>Total</u>	<u>41,048</u>	<u>12,662</u>	<u>53,710</u>

Note 6-Note Receivable

The Association sold facilities at Wayne Drive for \$57,000 in 1995 and is financing the sale. Terms are monthly installments of \$500, plus 9% interest per annum maturing January, 2016.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



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CERTIFIED PUBLIC ACCOUNTANTS

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WARREN C. BER, C.P.A.
RETIRED

November 15, 1996

Report on Compliance With the General Requirements

Board of Directors
Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the

**Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana**

as of and for the year ended June 30, 1996, and have issued our report thereon dated November 15, 1996.

We have applied procedures to test the Association for Retarded Citizens - Baton Rouge's compliance with the following requirements applicable to each of its federal programs, which are identified in the accompanying schedule of federal awards for the year ended June 30, 1996:

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug Free Workplace
- Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Association for Retarded Citizens - Baton Rouge's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Association for Retarded Citizens - Baton Rouge, had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, the United States Department of Education, State of Louisiana Department of Health and Hospitals, and the Office of the State Legislative Auditor.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

Association for Retarded Citizens - Baton Rouge
Statements of Functional Expenses
Years Ended June 30, 1996 and June 30, 1995

	<u>Metro Enterprises Business</u>	<u>Metro Enterprises Rehabilitation</u>	<u>Early Intervention Programs</u>	<u>Respite Care Programs</u>
Salaries	\$387,180	\$560,914	\$497,828	\$545,342
Payroll taxes	49,220	53,395	46,920	54,072
Retirement plan	4,225	28,039	22,482	15,960
Employee health insurance	10,488	72,070	52,621	68,027
Professional services	2,983	7,883	102,090	4,902
Program supplies	26	3,637	5,751	11,555
Contract supplies	81,612			
Rent				6,180
Utilities	16,261	27,001	13,328	6,082
Maintenance and repairs	28,228	9,412	3,814	7,344
Insurance	999	8,380	5,484	1,172
Vehicle expenses	19,320	2,719		4,568
Equipment rental and maintenance	2,211	2,941	862	2,037
Program transportation		32,256		
Office supplies and expenses	3,046	4,544	5,888	4,695
Dues, subscriptions and publications	3,321	4,936	4,867	4,627
Travel, conferences and meetings	1,556	5,540	29,474	7,020
Telephone	2,594	3,124	3,942	3,475
Other expenses	4,598	3,407	1,492	1,952
Small equipment	426	495	21	1,953
Assistance to individuals				
Building expenses				
Depreciation				
<u>Totals</u>	<u>618,294</u>	<u>830,693</u>	<u>796,864</u>	<u>750,963</u>

The accompanying notes are an integral part of these statements

Vocational Services Placement	Care Community Service	<u>Total</u> Program Services	Management, General and Other	1996 Totals	1995 Totals
\$331,647		\$2,322,911		\$2,322,911	\$2,016,910
30,801		234,408		234,408	240,688
13,269		83,975		83,975	67,166
27,657	\$156	231,019		231,019	186,166
3,274	380	121,512		121,512	137,698
1,453	3,121	25,543		25,543	23,331
		81,612		81,612	111,480
3,900		10,080		10,080	6,780
12,337		75,009		75,009	72,726
4,907	(9)	53,696		53,696	58,020
1,390	(715)	16,710		16,710	14,570
		26,607		26,607	26,800
709		8,760		8,760	11,288
		32,256		32,256	21,603
3,805	398	22,376		22,376	25,262
3,080	20	20,851		20,851	15,472
10,947	1,062	55,599		55,599	56,610
4,179	(26)	17,288		17,288	16,026
822	1,923	14,194	\$491	14,685	17,725
1,657	975	5,527		5,527	8,572
			65,555	65,555	16,961
			358	358	3,126
			<u>89,811</u>	<u>89,811</u>	<u>89,853</u>
<u>455,834</u>	<u>7,285</u>	<u>3,459,933</u>	<u>156,215</u>	<u>3,616,148</u>	<u>3,244,833</u>

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 1-Nature of Organization

The Association for Retarded Citizens (ARC) of Baton Rouge is a not-for-profit organization which promotes, develops, monitors, supports and directly provides services to improve the well being of people with disabilities and their families from East Baton Rouge and surrounding parishes.

Note 2-Significant Accounting Policies

A. Cash and Cash Equivalents

For the purpose of balance sheet presentation, cash equivalents are considered to be highly liquid investments with maturities of three months or less. At various times during the year cash and cash equivalents on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize this potential risk.

B. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position.

C. Support and Expenses

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

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

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

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 1-Nature of Organization (Continued)

D. Uncollectible Revenue

The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Concentration of credit risk with respect to service fees is limited to the Baton Rouge, Louisiana, area. As a result, the Association is subject to the credit risk associated with the local economy in respect to service fees.

E. Inventory

Inventory is stated at the lower of cost or market.

F. Depreciation

Fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives.

G. Retirement Plan

The retirement plan is a defined benefit plan which covers substantially all full-time employees.

H. Income Taxes

The Association is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

I. Grant Contracts

The Association depends significantly on grant contract reimbursements to carry out its program activities. This revenue is disclosed as program revenue on the statement of support, revenue and expenses.

Grant revenue is recorded as related expenses are incurred, and the reimbursement requests are submitted to the grantor agency.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 1-Nature of Organization (Continued)

J. Functional Expenses

The Association allocates functional expenses primarily by specific identification of program expenses which include salaries of personnel assigned to specific programs. However, certain administrative salaries and related expenses and other general expenses are allocated using percentages which are adjusted annually. These percentages coincide with grant agreements and budgets.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3-Designated Unrestricted Net Assets

Unrestricted net assets at June 30, 1996 and June 30, 1995 have been designated for the following purposes:

Metro Enterprises	\$4,623
Early Intervention Program	3,045
Respite care	<u>497</u>
	<u>8,165</u>

Note 4-Pension Plan

The Association has a pension plan which covers substantially all of its employees who meet eligibility requirements. Benefits under the plan are generally based on the employee's compensation during the highest five consecutive calendar years' salary during the last ten completed calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 4-Pension Plan (Continued)

Pension expense was \$83,975 for the year ended June 30, 1996 and \$67,166 for the year ended June 30, 1995. The following information is presented as of June 30, 1996.

Number of participants:	
Active under age 65	89
Terminated vested	<u>45</u>
<u>Total</u>	<u>134</u>

The following table sets forth the plan's funding status and the amounts recognized in the Company's statement of financial position at June 30, 1996, as prepared by Mutual of America in accordance with FASB Statement No. 87.

A. Actuarial present value of benefit obligations:

Accumulated benefit obligation, including vested benefits of \$567,089	<u>\$572,564</u>
Projected benefit obligation for service rendered to date	\$973,185
Plan assets at fair value, primarily listed stocks and U. S. Bonds	<u>1,317,480</u>
Plan assets in excess of projected benefit obligation	344,295
Unrecognized net gain from past experience difference from that assumed and effects of changes in assumptions	(105,603)
Unrecognized net obligation at January 1, 1986 being recognized over 15 years	<u>16,614</u>
Prepaid pension cost included in prepaid expenses	<u>255,306</u>

Net pension cost for the year ended June 30, 1996, includes the following components:

Service cost - benefits earned during the period	\$95,325
Interest cost on projected benefit obligation	69,713
Actual return on plan assets	(68,456)
Net amortization and deferral	<u>(27,177)</u>
<u>Net periodic pension cost</u>	<u>69,405</u>

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 7-Property and Equipment

A summary of property and equipment at June 30, 1996 and June 30, 1995, is as follows:

	<u>1996</u>	<u>1995</u>
Buildings	\$1,359,311	\$1,359,311
Furniture and equipment	699,510	685,946
Drapery and carpets	13,599	13,599
Leasehold improvements	<u>5,631</u>	<u>5,631</u>
	2,078,051	2,064,487
Less depreciation to date	<u>(1,269,922)</u>	<u>(1,197,693)</u>
	808,129	866,794
Land	<u>219,997</u>	<u>219,997</u>
<u>Property and equipment, net</u>	<u>1,028,126</u>	<u>1,086,791</u>

Note 8-Fair Value of Financial Instruments

Disclosure of fair value information about certain financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value is required by Financial Accounting Standards Board Statement (SFAS) No. 107, Disclosure About Fair Value of Financial Instruments. The following methods and assumptions were used in estimating fair values:

Cash and Cash Equivalents

The carrying amount reported in the statement of financial position approximates fair value.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 3-Pension Plan Continued)

D. Amount of Retirement Income

The amount of yearly income at age 65 equals 1.0 percent of the final average salary times credited service (no maximum), plus 3/4 percent of any excess of the final average salary over the social security average years wage times credited service (maximum 25 years) offset by all annuities accrued under any prior plan underwritten by Mutual of America. Credited Service (years and 1/12ths) is defined to be service as a participant under any plan of the employer after meeting the eligibility requirement. Service prior to an employee's enrollment date shall be excluded for any employee who failed to become a participant when first eligible.

E. Vesting at Termination of Employment

If a participant terminates his employment with three years of service he will receive retirement income, beginning at age 65, or earlier retirement date, if elected, based on his years of service and compensation prior to his termination of employment.

F. Employee Contributions

Employees are not required to contribute toward the cost of the pension plan.

G. Normal Retirement Date

Participants may retire on the first day of the month coincident with or next following their 65th birthday.

H. Early Retirement

Participants may retire between ages 55 and 65. The benefit is reduced 1/15 for each of the five years prior to the normal retirement date and 1/30 for each of the next five years.

In addition to pension benefits, the entity provides employees an opportunity to participate in a deferred compensation plan offered through Mutual of America. The entity does not guarantee those benefits. This plan is between Mutual of America and the employee and the entity serves only in an agency capacity.

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WARREN C. BER, C.P.A.
RETIRED

November 15, 1996

Report on Compliance With Specific Requirements Applicable to Nonmajor Program Transactions

Board of Directors
Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the

**Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana**

as of and for the year ended June 30, 1996, and have issued our report thereon dated November 15, 1996.

In connection with our audit of the financial statements of the Association for Retarded Citizens - Baton Rouge and with our consideration of the Association for Retarded Citizens - Baton Rouge's internal control structure used to administer federal programs, as required by the Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor federal programs for the year ended June 30, 1996. As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed and eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Association for Retarded Citizens - Baton Rouge's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Association for Retarded Citizens - Baton Rouge had not complied, in all material respects, with those requirements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



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November 15, 1996

**Report on Internal Control Structure Used in
Administering Federal and State Awards**

Board of Directors
Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the

**Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana**

as of and for the year ended June 30, 1996, and have issued our report thereon dated November 15, 1996. We have also audited the Association for Retarded Citizens - Baton Rouge's compliance with requirements applicable to major federal programs, and have issued our report thereon dated November 15, 1996.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Association for Retarded Citizens - Baton Rouge complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audits of the Association for Retarded Citizens - Baton Rouge for the year ended June 30, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Association for Retarded Citizens - Baton Rouge's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated November 15, 1996.

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JAN 03 1997

LEGISLATIVE AUDITOR

**Association for Retarded Citizens -
Baton Rouge
Baton Rouge, Louisiana
June 30, 1996**

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 APR 02 1997

In our opinion, the Association for Retarded Citizens - Baton Rouge, complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal programs for the year ended June 30, 1996.

This report is intended for the information of the Board of Directors, management, the United States Department of Education, and State of Louisiana Department of Health and Hospitals and the Office of the State Legislative Auditor.

Yours truly,

Hanthon, Weymouth + Lussell, L.L.P.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 3-Pension Plan Continued)

The weighted-average discount rate and rate of increase in future compensation levels, used in determining the actuarial present value of the projected benefit obligation, were 7.5 percent and 50 percent, respectively. The expected long-term rate of return on assets was 7.5 percent.

B. Actuarial Methods and Assumptions:

Retirement and death benefits	Aggregate cost method
Disability annuity credits	One year term cost
Assumptions	
Retirement age	Age 65. For employees over 65, immediate retirement is assumed
Mortality rates before retirements	1983 Group Annuity Mortality Table projected to 1988 by scale H and set back four years for both males and females
Interest rate	7.50 percent per year, net after fund charge
Pre-retirement expense loading	Annual estimated administrative charge
Pre-retirement expense loading	2.5% of estimated cost of annuity
Social Security wage base increase	6% per year
Cost of living supplement increase	4% per year

C. Eligibility for Participation

Former participants of any plan of Mutual of America are eligible immediately if over age 21. If not a former participant, eligible after 1 year of service and attainment of age 21.

Association for Retarded Citizens - Baton Rouge
Schedule of State Awards
Year Ended June 30, 1996

	<u>Pass Through Grantor's Number</u>	<u>Grant Number</u>	<u>Disbursement Expenditures</u>
State Programs			
State of Louisiana Department of Health and Hospitals/Office for Citizens with Developmental Disabilities:			
Adult Habilitation	340-6150	55438	\$456,371
Infant Habilitation	340-6149	55437	386,290
Respite Care in and out of home	340-6126	55424	182,723
Emergency Fund	340-6166	55567	70,404
Adult Habilitation - Training	990-7866	58161	1,643
Adult Habilitation - Training	990-7848	58291	<u>900</u>
Total state grants			<u>1,098,331</u>
<u>Grant total</u>			<u>1,329,868</u>

Liabilities and Fund Balances

	<u>1996</u>	<u>1995</u>
Liabilities		
Accounts payable	\$45,954	\$28,855
Accrued salaries	104,141	
Note payable - line of credit	<u> </u>	<u>42,000</u>
<u>Total liabilities</u>	<u>150,095</u>	<u>70,855</u>
Net Assets		
Unrestricted		
Undesignated	2,359,631	2,419,852
Designated	<u>8,165</u>	<u>8,165</u>
<u>Total unrestricted</u>	<u>2,367,796</u>	<u>2,428,017</u>
Temporarily restricted	<u>399,485</u>	<u>386,823</u>
<u>Total net assets</u>	<u>2,767,281</u>	<u>2,814,840</u>
	<u> </u>	<u> </u>
<u>Total liabilities and net assets</u>	<u>2,917,376</u>	<u>2,885,695</u>

Association for Retarded Citizens - Baton Rouge
Statements of Financial Position
June 30, 1996 and June 30, 1995

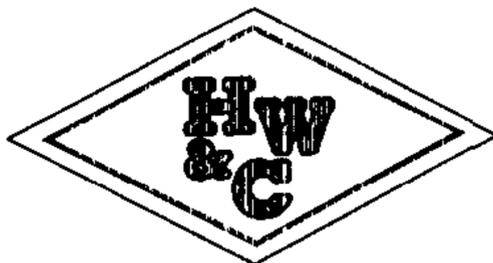
A s s e t s

	<u>1996</u>	<u>1995</u>
Current Assets		
Cash and cash equivalents		
Unrestricted	\$100,251	\$504
Temporarily restricted	<u>37,021</u>	<u>21,607</u>
	<u>137,272</u>	<u>22,111</u>
Receivables		
Accounts receivable	570,876	626,217
Notes receivable, short term	1,085	992
Interest receivable		
Unrestricted	2,724	2,283
Temporarily restricted	<u>2,288</u>	<u>3,287</u>
	<u>576,973</u>	<u>632,779</u>
Inventory	23,850	19,584
Prepaid expenses	<u>266,963</u>	<u>252,400</u>
	<u>290,813</u>	<u>271,984</u>
<u>Total current assets</u>	<u>1,005,058</u>	<u>926,874</u>
Noncurrent Assets		
Property, plant and equipment, net	<u>1,028,126</u>	<u>1,086,791</u>
Investments		
Unrestricted	590,000	575,000
Temporarily restricted	<u>240,176</u>	<u>241,929</u>
	<u>830,176</u>	<u>816,929</u>
Notes receivable, long term	<u>54,016</u>	<u>55,101</u>
<u>Total noncurrent assets</u>	<u>1,912,318</u>	<u>1,958,821</u>
<u>Total assets</u>	<u>2,917,376</u>	<u>2,885,695</u>

The accompanying notes are an integral part of these statements

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD.
BATON ROUGE, LOUISIANA 70809
(504) 923-3000 • FAX (504) 923-3008

November 15, 1996

Independent Auditor's Report

The Officers and Board of Directors
Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of the

Association for Retarded Citizens - Baton Rouge Baton Rouge, Louisiana

as of June 30, 1996 and June 30, 1995, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 the Association for Retarded Citizens - Baton Rouge as of June 30, 1996 and June 30, 1995, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 15, 1996 on our consideration of internal control structure and a report dated November 15, 1996 on its compliance with laws and regulations.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

**Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana**

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Association of Retarded Citizens - Baton Rouge
Statements of Activities
Years Ended June 30, 1996 and June 30, 1995

	<u>1996</u>	<u>1995</u>
Expenses		
Program services		
Metro Enterprises - Business	\$618,294	\$544,815
Metro Enterprises - Rehabilitation	830,693	769,176
Early Intervention Programs	796,864	600,721
Respite Care Programs	750,963	690,867
Vocation Services - Job Placement	455,834	391,015
Care Community Services	<u>7,285</u>	<u>22,862</u>
<u>Total program services</u>	3,459,933	3,019,456
Supporting services		
Management, general and other expenses	<u>156,215</u>	<u>225,377</u>
<u>Total expenses</u>	<u>3,616,148</u>	<u>3,244,833</u>
Increase (Decrease) in Unrestricted Net Assets	(60,221)	156,885
Changes in Temporarily Restricted Net Assets		
Interest income	14,415	15,554
Appreciation (depreciation) of investments	(1,753)	4,605
Net assets released from restrictions	<u> </u>	<u>(39,358)</u>
<u>Increase (decrease) in temporarily restricted net assets</u>	<u>12,662</u>	<u>(19,199)</u>
Increase (Decrease) in Net Assets	(47,559)	137,686
Net Assets, beginning of year	<u>2,814,840</u>	<u>2,677,154</u>
Net Assets, end of year	<u>2,767,281</u>	<u>2,814,840</u>

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Statements of Activities
Years Ended June 30, 1996 and June 30, 1995

	<u>1996</u>	<u>1995</u>
Changes in Unrestricted Net Assets		
Revenue		
United Way	\$227,085	\$220,450
Contributions	19,741	22,940
Membership	<u>5,833</u>	<u>7,357</u>
<u>Total revenue</u>	<u>252,659</u>	<u>250,747</u>
Program revenue		
Office of Mental Retardation	1,108,626	1,160,982
Medicaid	776,312	687,771
Office of Community Services	383,227	353,412
Residential facilities	148,767	156,617
Department of Education	159,384	82,457
Job Training Partnership Act	54,629	56,622
Program services fee and other revenue	<u>9,403</u>	<u>8,835</u>
<u>Total program revenue</u>	<u>2,640,348</u>	<u>2,506,696</u>
Other revenue		
Sales and contract income	621,265	526,350
Interest income	41,048	34,183
Gain on sale of fixed assets		44,345
Miscellaneous income	<u>607</u>	<u>39</u>
<u>Total other revenue</u>	<u>662,920</u>	<u>604,917</u>
Net Assets Released From Restrictions		
Temporarily restricted assets used for purpose intended	<u> </u>	<u>39,358</u>
Unrestricted Revenue and Support	3,555,927	3,401,718

(Continued)

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1996

Note 8-Fair Value of Financial Instruments (Continued)

Investments

Fair values, which are the amounts reported in the statement of financial position, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Notes Receivable

The carrying amount reported in the statement of financial position approximates fair value, based on current market rates.

The carrying amounts and fair values of the Association's financial instruments as of June 30, 1996 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$137,272	\$137,272
Noncurrent investments	830,176	830,176
Note receivable	55,101	55,101

Note 9-Change in Accounting Method

During 1995, the Association adopted the accounting treatment prescribed by Statement on Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made, SFAS No. 117, Financial Statements for Not-For-Profit Organizations, and SFAS No. 124, Accounting for Certain Investments Held by Not-For-Profit Organizations. In accordance with SFAS No. 116, contributions received are recorded as unrestricted support depending on the existence and/or nature of any donor restrictions. As permitted by SFAS No. 116, the Association retroactively applied the provisions of this new statement by restating the assets as of June 30, 1995.

Note 10-Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following specific program services.

	<u>1996</u>	<u>1995</u>
Building fund	\$399,485	\$386,823

Association for Retarded Citizens - Baton Rouge
Schedule of Federal Awards
Year Ended June 30, 1996

	<u>C.F.D.A Number</u>	<u>Pass Through Grantor's Number</u>	<u>Grant Number</u>	<u>Disbursement Expenditures</u>
<u>Federal Programs</u>				
Federal Agency/State Agency/Passed Through Agency: Program Title				
U. S. Department of Health & Human Services/ State of Louisiana Department of Health and Hospitals/Region II - Office for Citizens with Development Disabilities				
Infant Habilitation - P.L. 89-313		340-5195	53738	\$7,484
Infant Habilitation - P.L. 89-313		990-8496	59345	<u>4,454</u>
				<u>11,938</u>
U. S. Department of Labor/City of Baton Rouge - Parish of East Baton Rouge:				
JTPA-IIA	17.246		29-95/96	<u>54,533</u>
U. S. Department of Education/State Department of Education/Direct				
*IDEA Part (H) 6/1/95-9/30/95	84.181		94-CIT5-AB	18,434
Part (H) 6/1/95-9/30/95	84.181		95-CIT3-AB	34,518
Part (H) 2/1/94-5/31/95	84.181		95-CIT4-AB	25,188
Part (H) 12/1/95-6/30/96	84.181		95-CIT5-AB	<u>86,926</u>
Subtotal				<u>165,066</u>
<u>Total federal grants</u>				<u>231,537</u>

*Major Programs

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



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November 15, 1996

**Unqualified Opinion on Compliance With Specific
Requirements Applicable to Major Programs**

Board of Directors
Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the

**Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana**

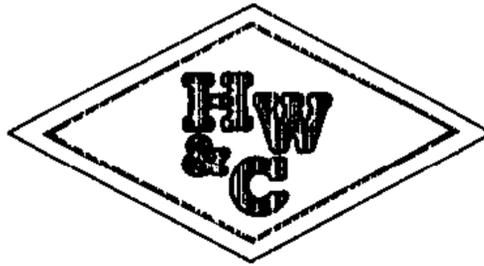
as of and for the year ended June 30, 1996, and have issued our report thereon dated November 15, 1996.

We have also audited the Association for Retarded Citizens - Baton Rouge's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal programs, which are identified in the accompanying schedule of federal awards, for the year ended June 30, 1996. The management of the Association for Retarded Citizens - Baton Rouge is responsible for the Association's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Association for Retarded Citizens - Baton Rouge's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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November 15, 1996

Report on the Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with GAS

Board of Directors
Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the

**Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana**

as of and for the year ended June 30, 1996, and have issued our report thereon dated November 15, 1996.

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 the Association for Retarded Citizens - Baton Rouge is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements 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, 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 inherent limitations in any internal control structure, errors or irregularities 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 the Association for Retarded Citizens - Baton Rouge for the year ended June 30, 1996, 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, the United States Department of Education, State of Louisiana Department of Health and Hospitals and the Office of the State Legislative Auditor.

Yours truly,

Henrietta Weymouth Carroll, F.C.P.

Association of Retarded Citizens - Baton Rouge
Statements of Cash Flows
Years Ended June 30, 1996 and June 30, 1995

	<u>1996</u>	<u>1995</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	(\$47,559)	\$137,686
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	89,811	89,583
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	55,341	(33,032)
(Increase) decrease in notes receivable	992	(56,093)
(Increase) decrease in accrued interest receivable	558	(1,683)
(Increase) decrease in inventory	(4,266)	2,299
(Increase) decrease in prepaid expenses	(14,563)	(55,007)
Increase (decrease) in accounts payable	17,099	(366)
Increase (decrease) in note payable	(42,000)	42,000
Increase (decrease) in accrued expenses	<u>104,141</u>	<u>(81,741)</u>
<u>Net cash provided by operating activities</u>	<u>159,554</u>	<u>43,646</u>
Cash Flows From Investing Activities		
Purchase of property and equipment, net	<u>(31,146)</u>	<u>(74,492)</u>
<u>Net cash used from investing activities</u>	<u>(31,146)</u>	<u>(74,492)</u>
Cash Flows From Financing Activities		
Purchase of investments	<u>(13,247)</u>	<u>(169,229)</u>
<u>Net cash used from financing activities</u>	<u>(13,247)</u>	<u>(169,229)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	115,161	(200,075)
Cash and Cash Equivalents, beginning of year	<u>22,111</u>	<u>222,186</u>
Cash and Cash Equivalents, end of year	<u>137,272</u>	<u>22,111</u>

The accompanying notes are an integral part of these statements.

This report is intended for the information of the Board of Directors, management, the United States Department of Education, and State of Louisiana Department of Health and Hospitals and the Office of the State Legislative Auditor.

Yours truly,

Huntman, Maymuth + Carroll, L.P.

The management of the Association for Retarded Citizens - Baton Rouge is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements 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 awards programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, or instances of noncompliance irregularities 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

<u>Accounting Controls</u>	<u>General Requirements</u>	<u>Specific Requirements</u>
General Ledger	Political Activity	Eligibility
Cash Receipts	Civil Rights	Matching
Accounts Receivable	Cash Management	Level of Effort
Purchasing and Receiving	Federal Financial Reports	Earmarking
Cash Disbursements	Allowable Cost/Cost	Reporting
Accounts Payable	Principle	Claims for Advances
Payroll	Drug Free Workplace	Reimbursements
	Administrative	
	Requirements	

For all of the internal control structure categories listed above, 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.

During the year ended June 30, 1996, the Association for Retarded Citizens - Baton Rouge expended 73 percent of its total federal awards under major programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements; general requirements; and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the organization's major programs, which are identified in the accompanying schedule of federal awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 noncompliance with laws and regulations that would be material to a federal awards program 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, the United States Department of Education, and State of Louisiana Department of Health and Hospitals and the Office of the State Legislative Auditor.

Yours truly,

Hawthorn, Maymouth & Corral, L.P.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



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November 15, 1996

Report on Schedules of Federal and State Awards

Board of Directors
Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the Association for Retarded Citizens - Baton Rouge, for the year ended June 30, 1996, and have issued our report thereon dated November 15, 1996. These financial statements are the responsibility of the Association'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 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Association for Retarded Citizens - Baton Rouge taken as a whole. The accompanying Schedules of Federal and State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these Schedules 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.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

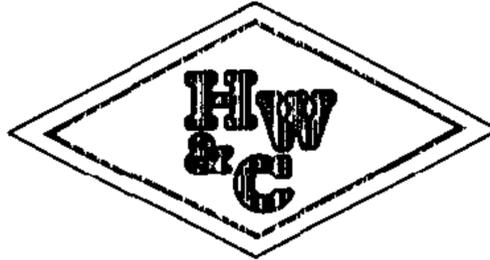
This report is intended for the information of the Board of Directors, management, the United States Department of Education, State of Louisiana Department of Health and Hospitals, and the Office of the State Legislative Auditor.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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RETIRED

November 15, 1996

Report on Compliance With Laws, Regulations, Contracts and Grants Based on an Audit of the Financial Statements Performed in Accordance with GAS

Board of Directors
Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the

**Association for Retarded Citizens - Baton Rouge
Baton Rouge, Louisiana**

as of and for the year ended June 30, 1996, and have issued our report thereon November 15, 1996.

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 the Association for Retarded Citizens - Baton Rouge is the responsibility of the Association's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Association for Retarded Citizens - Baton Rouge'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 herein under Government Auditing Standards.