



FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.  
Franklinton, Louisiana

Annual Financial Statements with Independent Auditor's Report  
June 30, 1997 and 1996

C O N T E N T S

	<u>PAGE</u>
Independent Auditor's Report	3
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Balance Sheets	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to the Financial Statements	8-11

**INDEPENDENT AUDITOR'S REPORT**

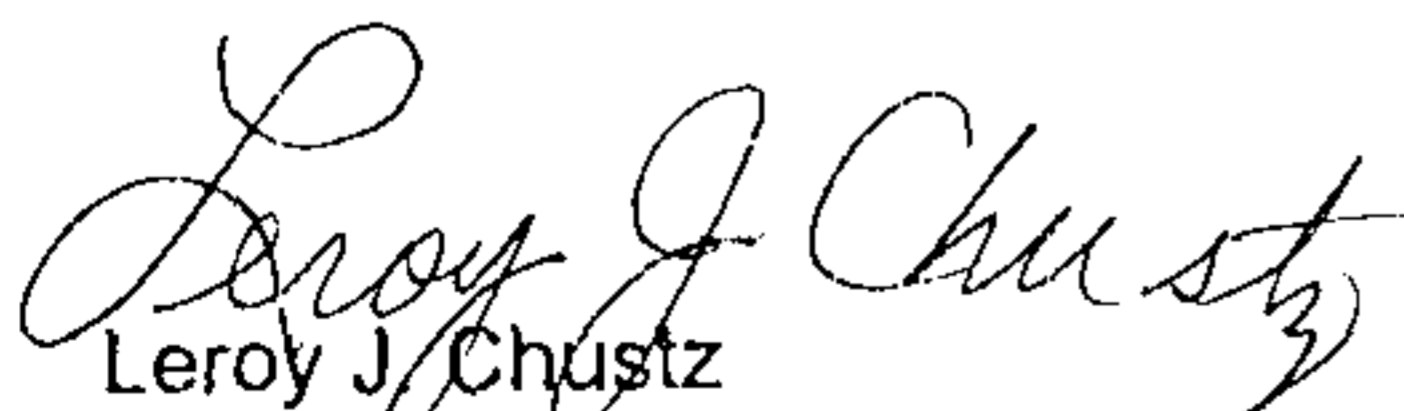
To the Board of Directors  
Franklinton Association for Challenged Citizens, Inc.  
Franklinton, Louisiana

I have audited the accompanying balance sheets of Franklinton Association for Challenged Citizens, Inc. (a nonprofit organization), Franklinton, Louisiana, as of and for the years ended June 30, 1997 and 1996 and the related statement of activities and the statements of cash flows for the years then ended. These financial statements are the responsibility of the Franklinton Association for Challenged Citizens, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my 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 I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklinton Association for Challenged Citizens, Inc., as of June 30, 1997 and 1996 and the changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 5, 1997, on my consideration of Franklinton Association for Challenged Citizens, Inc., internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

  
Leroy J. Chustz  
Certified Public Accountant, APAC  
December 5, 1997

# LEROY J. CHUSTZ, CPA, APAC

P.O. BOX 158  
DENHAM SPRINGS, LA 70726  
504/665-3102  
Fax: 504/667-3553

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

Franklinton Association for Challenged Citizens, Inc.  
Franklinton, Louisiana

I have audited the financial statements of Franklinton Association for Challenged Citizens, Inc., Franklinton, Louisiana, as of June 30, 1997 and 1996, and have issued my report thereon dated December 5, 1997. I conducted my audits in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

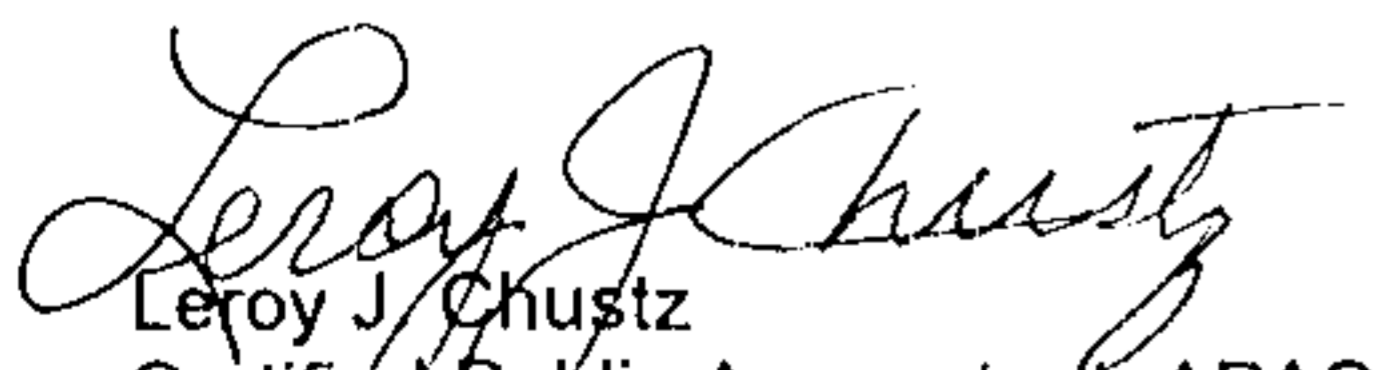
### Compliance

As part of obtaining reasonable assurance about whether Franklinton Association for Challenged Citizens, Inc.'s, financial statements are free of material misstatement, I performed tests of 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audits, I considered Franklinton Association for Challenged Citizens, Inc.'s, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of Franklinton Association for Challenged Citizens, Inc.'s management, and federal awarding agencies and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

  
Leroy J. Chustz  
Certified Public Accountant, APAC  
December 5, 1997

**FRANKLINTON ASSOCIATION FOR CHALLENGED  
CITIZENS, INC.  
BALANCE SHEETS  
June 30, 1997 and 1996**

	<u>1997</u>	<u>1996</u>
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 47,665.23	\$ 26,481.10
Accounts receivable	8,927.26	11,308.00
Unconditional promises to give:		
State of Louisiana contract	11,714.30	31,480.09
 Total current assets	<b>68,306.79</b>	<b>69,269.19</b>
<b>FIXED ASSETS</b>		
Leasehold improvements	14,767.92	14,767.92
Amortization of leasehold improvements	(11,970.85)	(10,983.57)
Office furniture and fixtures	45,239.36	43,393.16
Depreciation office furniture & equip.	(35,981.61)	(31,070.48)
Trucks and vans	98,365.12	95,706.37
Depreciation trucks & vans	(84,688.71)	(77,029.71)
 Total fixed assets	<b>25,731.23</b>	<b>34,783.69</b>
 Total Assets	<b>\$ 94,038.02</b>	<b>\$ 104,052.88</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,298.53	\$ 5,961.90
Sales taxes payable	222.59	222.59
Notes payable	1,424.09	7,829.61
 Total current liabilities	<b>12,945.21</b>	<b>14,014.10</b>
<b>LONG-TERM LIABILITIES</b>		
Notes payable	1,110.12	
 Total long-term liabilities	<b>1,110.12</b>	
<b>NET ASSETS</b>		
Unrestricted	<b>79,982.69</b>	<b>90,038.78</b>
 Total Liabilities and Net Assets	<b>\$ 94,038.02</b>	<b>\$ 104,052.88</b>

See accompanying notes to the financial statements.

**FRANKLINTON ASSOCIATION FOR CHALLENGED  
CITIZENS, INC.  
STATEMENTS OF ACTIVITIES  
June 30, 1997 and 1996**

	<u>1997</u>	<u>1996</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
State grant	\$ 185,512.00	\$ 184,790.18
Medicaid	28,119.82	23,859.79
Provider contracts	132,620.40	123,801.12
Supportive services		
Interest	111.25	91.25
Self-generated	62,839.92	75,198.56
Donations	960.87	1,322.43
Rehabilitation	1,400.00	
Other revenue	<u>240.00</u>	<u>101.47</u>
Total unrestricted support	<u>\$ 411,804.26</u>	<u>\$ 409,164.80</u>
<b>EXPENSES</b>		
Salaries, wages and benefits	\$ 247,221.66	\$ 247,458.37
Supplies for activities and projects	36,587.17	50,446.65
Travel and transportation	26,785.02	23,771.28
Insurance	36,355.06	23,643.88
Client payroll and training	17,817.24	18,762.89
Depreciation expense	13,557.41	15,045.78
Telephone and utilities	11,566.24	10,003.16
Accounting and legal services	11,500.00	8,955.00
Maintenance and repairs	1,856.17	2,148.01
Cleaning and maintenance supplies	5,622.68	5,669.27
Office supplies	5,097.38	4,351.05
Rent	3,282.96	1,994.63
Dues	55.00	100.00
Client evaluations	710.00	990.00
Licenses	155.00	200.00
Dietary and food		
Staff training	310.00	1,360.00
Postage		32.00
Interest expense	152.67	191.43
Other	<u>3,228.64</u>	<u>8,531.59</u>
Total expenses	<u>\$ 421,860.30</u>	<u>\$ 423,654.99</u>
Increases (Decreases) in unrestricted net assets	(10,056.04)	(14,490.19)
Gain on sale of assets		
Net Assets at beginning of year	<u>90,038.78</u>	<u>104,528.97</u>
Net Assets at end of year	<u>\$ 79,982.74</u>	<u>\$ 90,038.78</u>

See accompanying notes to financial statements.

**FRANKLINTON ASSOCIATION FOR  
CHALLENGED CITIZENS, INC.  
STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 1997 and 1996

	1997	1996
Operating Activities		
Change in net assets	(\$10,056.04)	(\$14,490.19)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,557.41	15,045.78
Receivables	22,146.53	(14,892.50)
Accounts payable	5,336.63	305.11
Net provided used by operating activities	<u>30,984.53</u>	<u>(14,031.80)</u>
Investing Activities		
Purchases of equipment	4,505.03	4,225.60
Net cash used by investing activities	<u>4,505.03</u>	<u>4,225.60</u>
Financing Activities		
Proceeds from borrowings	(2,658.75)	0.00
Repayments on notes payable	7,954.15	9,549.55
Net cash used (provided by) in financing activities	<u>5,295.37</u>	<u>9,549.55</u>
Net increase (decrease) in cash and cash equivalents	<u>21,184.13</u>	<u>(27,806.95)</u>
Cash and cash equivalents at beginning of year	<u>26,481.10</u>	<u>54,288.05</u>
Cash and cash equivalents at end of year	<u>\$47,665.23</u>	<u>\$26,481.10</u>

See accompanying notes to the financial statements.

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.  
Notes to the Financial Statements  
For the Years Ended June 30, 1997 and 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Franklinton Association for Challenged Citizens, Inc. exists to promote the general welfare of mentally retarded children. The following is a summary of significant accounting policies followed in the preparation of the financial statements. These policies conform to generally accepted accounting principles and have been applied in the preparation of the financial statements.

A. ACCOUNTING BASIS

Assets and liabilities, and revenues and expenses are recognized on the accrual basis of accounting.

B. PROPERTY AND EQUIPMENT

Land, buildings, and equipment are stated at cost except as explained below. Depreciable assets are being depreciated over their estimated useful lives ranging from three to ten years using the straight-line method. The Association does not capitalize interest costs.

C. COMPENSATED ABSENCES

No provision has been made for compensated absences because the Association's policy does not allow the employees to carry unused leave to the next fiscal year.

D. DONATED PROPERTY MATERIALS, EQUIPMENT AND SERVICES

Donated property materials and equipment are not recorded as contributions at their estimated values at date of receipt. Donated services also have not been reflected in the financial statements since no objective basis is available to measure the value of such services. Nevertheless, a number of volunteers donate significant amounts of their time in the organization's program and supporting services.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. CASH EQUIVALENTS

The companies consider all highly liquid debt instruments with an originally maturity of three months or less to be cash equivalents.

2. CASH AND CASH EQUIVALENTS

Cash includes cash, demand deposits, and interest bearing demand deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or by the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging



FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.  
Notes to the Financial Statements, Continued  
For the Years Ended June 30, 1997 and 1996

fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposits (bank balances) at June 30, 1997 are secured as follows:

Total bank balances	<u>\$52,342.99</u>
Federal deposit insurance	\$52,342.99
Pledged securities	-0-
Total insurance and securities	<u>\$52,342.99</u>
Unsecured bank balances	<u>\$ -0-</u>

3. RECEIVABLES

Receivables at June 30, 1996 and 1997 consisted of the following:

	<u>June 30,</u>	
	<u>1997</u>	<u>1996</u>
Accounts receivable - Res-Care	\$ 8,388.00	\$ 7,720.75
State contract- Revenue receivable	11,714.30	31,480.09
Medicaid receivable	-0-	3,047.99
Accounts receivable - Other	<u>-0-</u>	<u>539.26</u>
Total Receivables	<u>\$20,102.30</u>	<u>\$42,788.09</u>

Based on past experience, management believes that the above amounts are entirely collectible; therefore, no provision for uncollectible amounts has been established.

4. CHANGES IN FIXED ASSETS

The following is a summary of changes in fixed assets:

	<u>BALANCE</u> <u>06/30/95</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/96</u>
Furniture, fixtures, and equipment	\$ 40,362	\$ 3,032	\$ -	\$ 43,393
Vans and buses	95,706	-	-	95,706
Leasehold improvements	<u>13,574</u>	<u>1,194</u>	<u>-</u>	<u>14,768</u>
Investment in property and equipment	<u>\$149,642</u>	<u>\$ 4,226</u>	<u>\$ -</u>	<u>\$153,867</u>
Less accumulated depreciation				<u>119,084</u>
Property and equipment net of accumulated depreciation				<u>\$ 34,783</u>

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.  
Notes to the Financial Statements, Continued  
For the Years Ended June 30, 1997 and 1996

	<u>BALANCE</u> <u>06/30/96</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/97</u>
Furniture, fixtures, and equipment	\$ 43,393	\$ 1,846	\$ -0-	\$ 45,239
Vans and buses	95,705	2,660	-0-	\$ 98,365
Leasehold improvements	<u>14,768</u>	<u>-0-</u>	<u>-0-</u>	<u>14,768</u>
Investment in property and equipment	<u>\$153,867</u>	<u>\$ 4,506</u>	<u>\$ -0-</u>	<u>\$158,372</u>
Less accumulated depreciation				<u>132,641</u>
Property and equipment net of accumulated depreciation				<u>\$ 25,731</u>

5. INCOME TAX STATUS

On March 10, 1993, the Franklinton Association for Challenged Citizens, Inc. was granted retroactive tax exempt status by the United States Internal Revenue Service under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The United States Internal Revenue Service has determined Franklinton Association for Challenged Citizens, Inc. is not a private foundation.

6. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligations transactions for the year ended June 30, 1996:

Long-term obligations payable at June 30, 1995	\$ 17,379.16
Additions:	-
Retirements	<u>9,549.55</u>
Long-term obligations payable at June 30, 1996	<u>\$ 7,829.61</u>

The following is a summary of the long-term obligations transactions for the year ended June 30, 1997:

Long-term obligations payable at June 30, 1996	\$ 7,829.61
Additions:	2,658.75
Retirements	<u>7,954.15</u>
Long-term obligations payable at June 30, 1997	<u>\$ 2,534.21</u>

Long-term obligations are comprised of the following:

\$19,000.00 - Bank loan payable to Parish National Bank due in monthly installments of \$586.21 through August 18, 1997; interest at 7.0 per cent interest for a 1994 Ford Van.	\$ 551.35
\$2,658.75 - Bank loan payable to Parish National Bank due in thirty six monthly installments of \$83.33, through August, 1999, with interest at 8% secured by a 1994 Ford Van.	\$1,982.86

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.  
Notes to the Financial Statements, Continued  
For the Years Ended June 30, 1997 and 1996

The annual requirements to amortize all long-term obligations outstanding at June 30, 1997 are as follows:

Year Ended	Principal	Interest	Total
June 30, 1998	\$ 1,424.09	\$ 130.44	\$ 1554.53
June 30, 1999	<u>945.24</u>	<u>54.72</u>	<u>999.96</u>
June 30, 2000	<u>164.88</u>	<u>1.65</u>	<u>166.53</u>
Total	<u>\$ 2,534.21</u>	<u>\$ 186.81</u>	<u>\$ 2,721.02</u>

7. COMMITMENTS AND CONTINGENCIES

The activity center receives a substantial amount of its support for its programs of providing day services and occupational therapy to challenged persons, from state government and local grants. These grants required the Association to furnish habilitation services to clients to be reimbursed at an amount stipulated in each contract. A significant reduction in the level of this support, if it were to occur, may have an effect on the Association's programs and activities.

According to legal counsel, the Association is not involved in any litigation.