

**SUPPLEMENTARY INFORMATION -  
GRANT ACTIVITY**

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 1996**

**Note 1 - Description of Organization**

Franklin Association for Retarded Citizens, Inc. (the Association) was established in 1972, incorporated in September 1982, and received their tax-exempt status as a 501(c)(3) organization in December 1987. Its purpose is to promote the general welfare of mentally retarded persons. Its programs are designed to assist and train clients in work activity and self-help skills so they may become productive within the community. The principal program is vocational training of adults, 21 years of age and older.

**Note 2 - Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The financial statements have been prepared on an accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its publication *Audit of Voluntary Health and Welfare Organizations*.

**B. Fund Accounting**

In order to assure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes in funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by the following groups:

**1. General Unrestricted Funds**

Unrestricted funds represent resources over which the Board of Directors has discretionary control and are used to carry out the operations of the Association in accordance with its bylaws. The Vocational Training Fund and Martha Nelson Work Activity Center are included in this group.

**LUFFEY, HUFFMAN & MONROE**  
Certified Public Accountants  
P.O. BOX 4745 1100 NORTH 18TH STREET  
MONROE, LOUISIANA 71211-0745

TELEPHONE (504) 335-6677  
FAX (504) 335-6688

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON  
AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of Franklin  
Association for Retarded Citizens, Inc.

We have audited the basic financial statements of Franklin Association for Retarded Citizens, Inc. (the Association) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 23, 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 basic financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Association is the responsibility of the Association's management. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the Association's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the basic 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 board of directors and management of the Association, its cognizant audit agency, other agencies granting funds to the Association and the Legislative Auditor for the state of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



Monroe, Louisiana  
December 23, 1996

**LAFFIN, HUFFMAN & MONROE**  
Certified Public Accountants  
P.O. BOX 4748 1180 NORTH 18TH STREET  
MONROE, LOUISIANA 71221-4748

TELEPHONE (504) 335-0671  
FAX (504) 335-0666

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

To the Board of Directors of Franklin  
Association for Retarded Citizens, Inc.

We have audited the basic financial statements of Franklin Association for Retarded Citizens, Inc. (the Association) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 23, 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of the Association is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the 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 basic 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 basic financial statements of the Association 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 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 basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.  
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 1996

Note 1 - *General*

The Schedule of State Financial Assistance presents the activity of all state financial assistance programs of the Association.

Note 2 - *Basis of Accounting*

The Schedule of State Financial Assistance is presented using the accrual basis of accounting.

Note 3 - *Relationship to Statement of Support, Revenue, Expenses  
and Changes in Fund Balances*

State financial assistance revenue and Medicaid revenue are included in intergovernmental revenue on the Statement of Support, Revenue, Expenses and Changes in Fund Balances. Intergovernmental revenue consists of the following:

State Financial Assistance	\$ 160,805
Medicaid Revenue	<u>5,024</u>
Total Intergovernmental Revenue	<u>\$ 165,829</u>

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1996

**Note 6 - Leases**

The Association had two vehicles under noncancelable operating leases. The total monthly payment under these leases were \$918. The leases expired in December 1995. Total rental expense under these leases was \$5,508 for the year ended June 30, 1996.

**Note 7 - Going Concern**

As indicated in the accompanying financial statements, the Association had an operating loss of \$75,069 and a decrease in cash of \$79,273 for the year ended June 30, 1996. In addition, the Association had an operating loss of approximately \$25,000 in fiscal 1995. These factors create an uncertainty about the Association's ability to continue as a going concern. Management of the Association is developing a plan to address the trends of declining revenues and increasing expenses. The Association's ability to continue as a going concern is dependent upon the successful formulation and implementation of such a plan. The financial statements do not include any adjustments that might be necessary if the Association is unable to continue as a going concern.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 1996**

**Note 3 - Land, Buildings and Equipment**

Land, buildings and equipment consist of the following at June 30, 1996:

Buildings	\$ 45,679
Furniture and Equipment	15,912
Vehicles Under Capital Lease	49,155
Leasehold Improvements	1,750
Land	<u>18,000</u>
	119,597
Less: Accumulated Depreciation	<u>( 38,336)</u>
Net Land, Building and Equipment	<u>\$ 81,261</u>

**Note 4 - Capital Leases**

The Association entered into a four year lease/purchase agreement with Ford Motor Credit Company for two vans. The monthly rental is \$1,258 including interest at 18 percent.

Following is a schedule of future minimum lease payments under the capital lease at June 30, 1996:

Future Minimum Lease Payments	\$ 58,767
Less Amount Representing Interest	<u>( 3,525)</u>

<b>NET PRESENT VALUE OF</b>	
<b>FUTURE MINIMUM LEASE PAYMENTS</b>	<b><u>\$ 42,122</u></b>

The annual payments under the capital lease obligation are as follows: 1997 - \$18,482; 1998 - \$12,212; 1999 - \$13,500; 2000 - \$4,538.

**Note 5 - Related Party Transactions**

The Association has an operating lease of a building with the President of the Board. The building is used for training clients. The annual lease amount is \$4,800. The lease term is one year with an automatic renewal each year.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**COMMENT ON STATUS OF PRIOR YEAR FINDINGS**  
**YEAR ENDED JUNE 30, 1998**

<b>Finding</b>	<b>Status</b>
No formal set of records, bank reconciliations, segregation of duties, nor interim financial statements.	Cleared
Quarterly payroll reports to the Internal Revenue Service and State did not include clients' wages.	Cleared



FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1994

**2. Land, Buildings and Equipment Fund**

The Land, Building and Equipment Fund includes all fixed assets of the Association and their respective accumulated depreciation.

**C. Accounting Pronouncements**

In June 1993, the Financial Accounting Standards Board (the FASB) issued Statements of Financial Accounting Standards (SFAS) No. 106, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. Both statements are effective for fiscal years beginning after December 15, 1993. The Association will adopt these standards effective July 1, 1994. Both are expected to have a material impact on the Association's financial statements.

SFAS No. 106 establishes accounting standards for contributions and generally requires unconditional promises to give - including multi-year promises - be recognized at fair value in the period the promise is made. Conditional promises to give are recognized when they become unconditional.

SFAS No. 117 will change the focus of the Association's financial statements from disaggregated reporting by fund groups to reporting on the organization as a whole. The statement requires that the amounts for each of three categories of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position.

**D. Donated Services**

Members, agencies, businesses, volunteers, and others contribute substantial services toward the fulfillment of projects initiated by the Association. No amounts have been reflected in the financial statements for donated services because no objective basis is available for their measurement.

**E. Land, Buildings and Equipment**

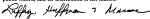
Contributions from the Federal government through a grant were credited to an equity account. This grant is amortized through depreciation of the asset acquired with the proceeds.

Land, buildings and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. Depreciation is computed on a straight-line basis over the useful lives of the assets. The

**The Board of Directors of Franklin  
Association for Retarded Citizens, Inc.**  
Page 2

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 and management of the Association, its regulator audit agency, other agencies granting funds to the Association, and the Legislative Auditor for the state of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



Monroe, Louisiana  
December 23, 1996

**FRANKLIN ASSOCIATION FOR RETARDED-CITIZENS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 1990**

	<u>Program Services</u>			<u>Supporting Services</u> <u>Management and Control</u>	<u>Total Expenses</u>
	<u>Service Release</u>				
	<u>Vocational Training</u>	<u>Work Activity Center</u>	<u>Total</u>		
Salaries	\$ 188,979	\$ 7,284	\$ 196,263	\$ 7,988	\$ 204,251
Payroll Taxes	9,874	0	9,874	0	9,874
Employee Benefits	8,700	0	8,700	0	8,700
<b>Total Salaries and Related Expenses</b>	<b>207,553</b>	<b>7,284</b>	<b>214,837</b>	<b>7,988</b>	<b>222,825</b>
Direct and Indirect Expenses	0	0	0	0	0
Food	11,260	280	11,540	0	11,540
Furniture	8,644	0	8,644	0	8,644
Interest Expense	1,643	0	1,643	0	1,643
Maintenance	9,828	800	10,628	0	10,628
Office Supplies and Postage	874	0	874	0	874
Professional Fees	0	0	0	10,870	10,870
Rent	10,788	0	10,788	0	10,788
Supplies	6,147	167	6,314	0	6,314
Travel and Lodging	155	0	155	0	155
Telephone	970	0	970	0	970
Training	211	0	211	0	211
Utilities	6,667	0	6,667	0	6,667
Vehicle Expense	9,780	0	9,780	0	9,780
<b>Total</b>	<b>71,581</b>	<b>8,447</b>	<b>80,028</b>	<b>10,870</b>	<b>90,906</b>
<b>Depreciation of Buildings and Equipment</b>	<b>3,685</b>	<b>0</b>	<b>3,685</b>	<b>0</b>	<b>3,685</b>
<b>Total Functional Expenses</b>	<b>221,719</b>	<b>8,740</b>	<b>230,459</b>	<b>21,740</b>	<b>252,209</b>
<b>Allocation of Administrative Overhead to Programs</b>	<b>(7,177)</b>	<b>0</b>	<b>(7,177)</b>	<b>(7,177)</b>	<b>0</b>
<b>TOTAL PROGRAM AND SUPPORTING SERVICE EXPENSES</b>	<b>\$ 214,542</b>	<b>\$ 8,740</b>	<b>\$ 223,282</b>	<b>\$ 0</b>	<b>\$ 223,282</b>

This accompanying notes are an integral part of this Financial statement.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.  
STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 1996**

	<u>Current Unrestricted Funds</u>	<u>Land Building and Equipment Fund</u>	<u>Total All Funds</u>
<b>Public Support and Revenue:</b>			
<b>Public Support:</b>			
Intergovernmental	\$ 155,875	\$ 0	\$ 155,875
Membership	500	0	500
Total Public Support	<u>157,375</u>	<u>0</u>	<u>157,375</u>
<b>Revenue:</b>			
Sales and Service Fees	15,480	0	15,480
Interest Income	498	0	498
Total Revenue	<u>15,978</u>	<u>0</u>	<u>15,978</u>
Total Public Support and Revenue	181,343	0	181,343
<b>Expenses:</b>			
<b>Program Services</b>			
Vocational Training	213,689	9,085	222,774
Merba Wilson Work Activity Center	8,741	0	8,741
Total Program Services	<u>222,430</u>	<u>9,085</u>	<u>231,515</u>
<b>Supporting Services</b>			
Management and General	31,287	0	31,287
Total Expenses	<u>253,717</u>	<u>9,085</u>	<u>262,802</u>
Deficiency of Revenue Over Expenses	(72,474)	(9,085)	(81,559)
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	18,338	17,198	35,536
Operating Transfers Out	(76,582)	0	(76,582)
Total Other Financing Sources (Uses)	<u>(58,244)</u>	<u>17,198</u>	<u>(41,046)</u>
Depreciation on Fixed Assets Acquired by Grants	0	380	380
Increase (Decrease) in Fund Balance	(93,155)	8,413	(84,742)
Fund Balance at Beginning of Year	<u>112,991</u>	<u>22,821</u>	<u>135,812</u>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 19,836</b>	<b>\$ 31,234</b>	<b>\$ 51,070</b>

The accompanying notes are an integral part of this financial statement.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**BALANCE SHEET**  
**JUNE 30, 1994**

<b>ASSETS</b>	<b>Current Unrestricted Funds</b>	<b>Long Building and Equipment Fund</b>	<b>Total All Funds</b>
Cash	\$ 26,779	\$ 0	\$ 26,779
Accounts Receivable	9,017	0	9,017
Interest Receivable	1,210	0	1,210
Land, Building and Equipment	0	119,587	119,587
Accumulated Depreciation	<u>0</u>	<u>(38,212)</u>	<u>(38,212)</u>
	0		
<b>TOTAL ASSETS</b>	<b>\$ 37,006</b>	<b>\$ 81,375</b>	<b>\$ 118,381</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 2,337	\$ 0	\$ 2,337
Payroll Taxes Payable	585	0	585
Interest Payable	1,210		1,210
Other Accrued Liabilities	75		75
Capital Loans Payable	<u>0</u>	<u>42,232</u>	<u>42,232</u>
<b>Total Liabilities</b>	<b>4,207</b>	<b>42,232</b>	<b>46,439</b>
<b>Fund Equity</b>			
<b>Contributed Capital:</b>			
Contributed Capital - Federal Grant	0	8,080	8,080
Less: Amortization of Grant	<u>0</u>	<u>(8,250)</u>	<u>(8,250)</u>
<b>Total Contributed Capital</b>	<b>0</b>	<b>2,750</b>	<b>2,750</b>
<b>Fund Balances:</b>			
Vocational Training	26,824	0	26,824
Bethel Miller Work Activities Center	1,875	0	1,875
Land, Building and Equipment - Expended	<u>0</u>	<u>36,210</u>	<u>36,210</u>
<b>Total Fund Balances</b>	<b>28,700</b>	<b>36,210</b>	<b>64,910</b>
<b>Total Fund Equity</b>	<b>28,700</b>	<b>39,000</b>	<b>71,700</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 33,006</b>	<b>\$ 81,375</b>	<b>\$ 118,381</b>

The accompanying notes are an integral part of this financial statement.

**LUFFEY, HUFFMAN & MONROE**  
Certified Public Accountants  
P.O. BOX 4748 1108 NORTH 18TH STREET  
MONROE, LOUISIANA 71219-0748

TELEPHONE (504) 385-3271  
FAX (504) 384-0000

**The Board of Directors of Franklin  
Association for Retarded Citizens, Inc.  
Winshire, Louisiana**

We have audited the balance sheet of Franklin Association for Retarded Citizens, Inc. (a nonprofit organization - the Association) as of June 30, 1998, and the related statements of support, revenue, expenses and changes in fund balances and functional expenses for the year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These 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 the Association as of June 30, 1998, and the results of its operations and the changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 23, 1998 on our consideration of the Association's internal control structure and a report dated December 23, 1998 on its compliance with laws and regulations.

The accompanying financial statements have been prepared assuming the Association will continue as a going concern. As discussed in Note 7 to the financial statements, the Association has experienced recurring operating losses and declining cash and fund balances, which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also addressed in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.

JUNE 30, 1996

TABLE OF CONTENTS

---

	<u>Page</u>
Independent Auditors' Report .....	1
Balance Sheet .....	2
Statement of Support, Revenue, Expenses and Changes in Fund Balances .....	3
Statement of Functional Expenses .....	4
Notes to Financial Statements .....	6 - 10

SUPPLEMENTARY INFORMATION -  
GRANT ACTIVITY

Schedule of State Financial Assistance .....	12
Notes to Schedule of State Financial Assistance .....	13
Independent Auditors' Report on Internal Control Structure Based on an Audit of Basic Financial Statements Performed in Accordance With Government Auditing Standards .....	14 - 15
Independent Auditors' Report on Compliance Based on an Audit of Basic Financial Statements Performed in Accordance With Government Auditing Standards .....	16
Comment on Status of Prior Year Findings .....	17

---

OFFICIAL  
FILE COPY

**DO NOT SEND OUT**

(Some documents  
exempt from this  
rule and PLACE  
mark in 10.)

## FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.

Financial Statements  
Year Ended June 30, 1990

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Auditor, or reviewed, and/or 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.

Revised Date FEB 5 1992

10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50



FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1988

Association utilizes estimated lives of 5 years for vehicles and household improvements, 5 to 10 years for furniture and equipment, and 20 to 30 years for buildings.

**F. Compensated Absence**

The financial statements do not include an accrual for vacation or sick pay. The Association's policy is that vacation days and/or sick days cannot be carried over to subsequent years.

**G. Functional Expenses**

Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

**H. Programs**

Vocational Training's income is derived from the Louisiana Department of Health and Hospitals. These funds are used to train clients in vocational and pre-vocational activities and supportive services.

The Bertha Nelson Work Activity Center's income is derived from sales of products made by clients and services performed by clients which include janitorial, ironing, washing cars, and contract services.

**I. Tax-Exempt Status**

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

**J. Accounting 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 revenues and expenses during the period. Actual results could differ from these estimates.

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.  
 SCHEDULE OF STATE FINANCIAL ASSISTANCE  
 YEAR ENDED JUNE 30, 1996**

Grantor Program/Program Title	Grant Assistance Number	State Award Amount	State Financial Assistance Current Year		Total State Revenue to June 30, 1996
			Revenue Recognized	Expenditures	
Louisiana Department of Health and Hospitals					
Office for Children with Developmental Disabilities	OCDD 8-94410-87	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000

See Accompanying Notes to Schedule of State Financial Assistance.