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**FRANKLINTON ASSOCIATION
FOR CHALLENGED CITIZENS, INC.**
FRANKLINTON, LOUISIANA

ANNUAL FINANCIAL REPORT

June 30, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or successor, 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: 10-00

**FRANKLINTON ASSOCIATION
FOR CHALLENGED CITIZENS, INC.**
Franklinton, Louisiana

ANNUAL FINANCIAL REPORT

JUNE 30, 1999 and 1998

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.
 Franklinton, Louisiana
 June 30, 1999 and 1998

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying balance sheets of the Franklin Association for Challenged Citizens, Inc. (a nonprofit organization), Franklin, Louisiana, as of June 30, 1999 and 1998, and the related statements of revenues, expenses and changes in net assets and the statements of cash flows for the years then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audits.

Except as discussed in the following paragraph, 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.

Governmental Accounting Standards Board Technical Bulletin No. 1, Disclosures About Year 2000 Issues, requires disclosure of certain matters regarding the Year 2000 issue. Franklin Association for Challenged Citizens, Inc., has included such disclosures in Note 5. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Franklin Association for Challenged Citizens' disclosures with respect to the Year 2000 issue made in Note 5. Further, I do not provide assurance that Franklin Association for Challenged Citizens, Inc., is or will be ready, that Franklin Association for Challenged Citizens, Inc.'s year 2000 remediation efforts will be successful in whole or in part, or that parties with which Franklin Association for Challenged Citizens does business will be year 2000 ready.

Generally accepted accounting principles requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the critical stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

Franklin Association for Challenged Citizens, Inc., has omitted such disclosures. I do not provide assurance that Franklin Association for Challenged Citizens, Inc., is or will be year 2000 ready, that Franklin Association for Challenged Citizens, Inc., year 2000 remediation efforts will be successful in whole or in part, or that parties with which Franklin Association for Challenged Citizens, Inc., does business will be year 2000 ready.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to examine evidence regarding your 2000 disclosures, the general purpose 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, 1999 and 1998, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated December 30, 1998, on my consideration of the Franklinton Association for Challenged Citizens, Inc.'s internal control structure and a report dated December 30, 1999, on its compliance with laws and regulations.

Leroy J. Whittle

Certified Public Accountant, APAC
December 29, 1999

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

Franklin Association for Challenged Citizens, Inc.
Franklin, Louisiana

I have audited the financial statements of Franklin Association for Challenged Citizens, Inc., as of June 30, 1998 and 1997, and have issued my report thereon dated December 11, 1998, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues. 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 Franklin 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 Franklin 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 Franklin 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 30, 1998

**FRANKLINTON ASSOCIATION FOR CHALLENGED
CITIZENS, INC.
BALANCE SHEETS
June 30, 1999 and 1998**

	1999	1998
CURRENT ASSETS		
Cash and equivalents	\$ 128,884.14	\$ 62,367.16
Accounts receivable	28,935.55	9,658.87
Unconditional promises to give: State of Louisiana contracts	14,406.35	13,638.71
Total current assets	164,196.04	75,654.54
FIXED ASSETS		
Leasehold improvements	14,767.92	14,767.92
Office furniture and fixtures	48,239.38	48,239.38
Trucks and vans	98,365.12	98,365.12
Depreciation trucks & vans	(152,882.07)	(144,232.52)
Total fixed assets	5,679.23	14,109.68
Total Assets	\$ 169,875.27	\$ 89,764.22
CURRENT LIABILITIES		
Accounts payable	\$ 10,548.55	\$ 11,881.11
Accrued interest payable		380.00
Notes payable		20,045.24
Total current liabilities	10,548.55	32,106.35
LONG-TERM LIABILITIES		
Notes payable		164.88
Total long-term liabilities		164.88
NET ASSETS		
Unrestricted	159,326.42	59,723.59
Total Liabilities and Net Assets	\$ 169,875.27	\$ 89,914.92

See accompanying notes to the financial statements.

**FRANKLINTON ASSOCIATION FOR CHALLENGED
CITIZENS, INC.**
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 1989 and 1988

	1989	1988
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
State grant	\$ 204,846.00	\$ 186,620.00
Medicaid	36,110.01	35,863.55
Provider contracts	136,592.30	130,470.20
Supportive services	347,423.41	53,283.64
Interest		88.15
Self-generated	68,038.88	73,408.41
Donations	34.28	663.78
Rehabilitation		137.00
Other revenue	<u>1,175.47</u>	<u>3,018.00</u>
Total unrestricted support	<u>\$ 788,821.27</u>	<u>\$ 472,662.10</u>
EXPENSES		
Salaries, wages and benefits	\$ 497,846.11	\$ 310,583.85
Supplies for activities and projects	34,940.73	42,789.82
Towel and transportation	31,964.89	30,783.75
Insurance	33,623.83	33,321.38
Client payroll and training	17,787.47	17,413.47
Depreciation expense	8,488.88	11,581.25
Telephone and utilities	12,682.33	12,063.28
Accounting and legal services	18,484.88	12,648.00
Maintenance and repairs	4,554.51	1,947.80
Cleaning and maintenance supplies	8,122.64	6,771.05
Office supplies	8,233.00	4,634.33
Rent	2,766.46	4,937.93
Dues		60.93
Client evaluations	1,167.80	1,828.80
Licenses	250.00	375.80
Staff training	818.69	515.80
Postage	106.38	133.80
Interest expense	820.48	87.87
Other	<u>7,388.85</u>	<u>5,323.47</u>
Total expenses	<u>\$ 684,364.78</u>	<u>\$ 465,811.25</u>
Increases (Decreases) in unrestricted net assets	104,456.49	(23,299.15)
Gain on sale of assets	146.32	
Net Assets at beginning of year	<u>56,723.29</u>	<u>79,862.74</u>
Net Assets at end of year	<u>\$ 159,326.42</u>	<u>\$ 56,723.69</u>

See accompanying notes to financial statements.

**FRANKLINTON ASSOCIATION FOR
CHALLENGED CITIZENS, INC.
STATEMENTS OF CASH FLOWS**
For the years ended June 30, 1989 and 1988

	1989	1988
Operating Activities		
Change in net assets	\$102,458.51	(\$23,250.15)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,488.55	11,281.55
Receivables	(11,844.12)	(2,856.22)
Accounts payable	(1,312.16)	338.99
Accrued payables	(388.00)	500.00
Net provided/used by operating activities	<u>87,460.78</u>	<u>(13,094.03)</u>
 Investing Activities		
Net cash used by investing activities	<u>0.00</u>	<u>0.00</u>
 Financing Activities		
Proceeds from sale of asset	146.32	(20,000.00)
Repayments on notes payable	(21,190.12)	1,424.08
Net cash used (provided) by in financing activities	<u>(20,993.80)</u>	<u>(18,575.92)</u>
Net increase (decrease) in cash and cash equivalents	<u>76,466.98</u>	<u>4,801.05</u>
Cash and cash equivalents at beginning of year	<u>83,267.16</u>	<u>47,666.23</u>
Cash and cash equivalents at end of year	<u>\$128,864.14</u>	<u>\$52,357.18</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, 1999 and 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Franklinton Association for Challenged Citizens, Inc. exists to promote the general welfare of mentally retarded citizens. 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 Association considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

2. CASH AND DEPOSITS

At year-end, the reported amount of the activity's deposits was \$128,854, and the bank balance was \$158,455. Of the bank balance, \$105,410 was covered by federal depository insurance, and \$53,045 was uninsured and uncollateralized.

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.
 Notes to the Financial Statements, Continued
 For the Years Ended June 30, 1999 and 1998

3. RECEIVABLES

Receivables at June 30, 1999 and 1998 consisted of the following:

	<u>June 30,</u>	
	<u>1999</u>	<u>1998</u>
Accounts receivable - Res-Care	\$70,938.86	\$ 8,688.07
State contract- Revenue receivable	54,406.95	13,038.71
Total Receivables	<u>\$125,345.81</u>	<u>\$21,726.78</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:

	BALANCE			BALANCE
	<u>06/30/97</u>	ADDITIONS	DELETIONS	<u>06/30/98</u>
Furniture, fixtures, and equipment	\$ 45,239	\$ -0-	\$ -0-	\$ 45,239
Vans and buses	98,365	-0-	-0-	98,365
Leasehold improvements	14,788	-0-	-0-	14,788
Investment in property and equipment	<u>\$158,372</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$158,372</u>
Less accumulated depreciation				<u>144,232</u>
Property and equipment net of accumulated depreciation				<u>\$14,140</u>
	BALANCE			BALANCE
	<u>06/30/98</u>	ADDITIONS	DELETIONS	<u>06/30/99</u>
Furniture, fixtures, and equipment	\$ 45,239	\$ 0.00	\$ 0.00	\$ 45,239
Vans and buses	98,365	0.00	0.00	98,365
Leasehold improvements	14,788	0.00	0.00	14,788
Investment in property and equipment	<u>\$158,372</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$158,372</u>
Less accumulated depreciation				<u>144,232</u>
Property and equipment net of accumulated depreciation				<u>\$14,140</u>

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.
Notes to the Financial Statements, Continued
For the Years Ended June 30, 1999 and 1998

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(c) 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, 1999:

Long-term obligations payable at June 30, 1997	\$ 2,534.21
Additions	-0-
Retirements	<u>1,424.09</u>
Long-term obligations payable at June 30, 1999	<u>\$ 1,110.12</u>

The following is a summary of the long-term obligations transactions for the year ended June 30, 1998:

Long-term obligations payable at June 30, 1998	\$ 1,110.12
Additions	0.00
Retirements	<u>1,110.12</u>
Long-term obligations payable at June 30, 1999	<u>\$ 0.00</u>

7. DEMAND BANK NOTE PAYABLE

On April 30, 1998, the Association made a loan of \$20,025.00 due on demand by the bank at 9% interest. Interest is payable quarterly until demand is made by the bank or until the maturity date of April 29, 1999.

8. 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.

9. YEAR 2000 COMPLIANCE (UNAUDITED)

Time and space saving programming decisions made in prior years resulted in two-digit computer codes that may not correctly recognize "00" as the year 2000. Serious processing error or system failure could result. To prevent this error, computer systems and equipment must be reprogrammed or replaced to make them year 2000 compliant.

The Franklinton Association for Challenged Citizens, Inc., is significantly dependent on computerized systems for essential operations and to provide services to citizens. As a continuing process, the

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.
NOTES to the Financial Statements, Continued
For the Years Ended June 30, 1999 and 1998

association is actively engaged in making necessary changes to its systems and equipment to achieve year 2000 compliance. Identifying business partners are being surveyed to assess their compliance status and possible impact on district services. Other information technology projects have been re-prioritized and delayed when necessary to support continuing progress toward year 2000 compliance. Those changes include system upgrades and equipment replacements. Contingency plans are also being considered.