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CERTIFIED PUBLIC ACCOUNTANTS

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**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, 1997, and have issued our report thereon dated December 22, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide, issued by the Louisiana Legislative Auditor and the Louisiana Society of Certified Public Accountants. 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.

December 22, 1997

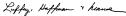
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we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 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.



December 22, 1997



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**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, 1997, and have issued our report thereon dated December 22, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide, issued by the Louisiana Legislative Auditor and the Louisiana Society of Certified Public Accountants. 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.

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, 1997, 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

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO SCHEDULE OF STATE AWARDS
YEAR ENDED JUNE 30, 1997

Note 1 - General

The Schedule of State Awards presents the activity of all state award programs of the Association.

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Statement of Activities

State award revenue and Medicaid revenue are included in intergovernmental revenue on the Statement of Activities. Intergovernmental revenue consists of the following:

State Awards	\$ 166,805
Medicaid Revenue	— 5,808
Total Intergovernmental Revenue	<u>\$ 172,613</u>

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
SCHEDULE OF STATE AWARDS
YEAR ENDED JUNE 30, 1997

<u>Grant Program/Program Title</u>	<u>Grant Assistance Number</u>	<u>State Award Amount</u>	<u>State Financial Assistance Current Year</u>		<u>Total State Revenue to June 30, 1997</u>
			<u>Revenue Received</u>	<u>Expenditures</u>	
Michigan Department of Health and Hospitals					
Office for Citizens with Developmental Disabilities	02121 00061	\$166,183	\$166,183	\$166,183	\$166,183

See Accompanying Notes to Schedule of State Awards.

**SUPPLEMENTARY INFORMATION -
GRANT ACTIVITY**

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1997

Note 3 - Land, Buildings and Equipment

Land, buildings and equipment consist of the following at June 30, 1997:

Buildings	\$	43,670
Furniture and Equipment		15,262
Vehicles Under Capital Lease		49,133
Leasehold Improvements		1,738
Land		10,000
		<u>119,803</u>
Less: Accumulated Depreciation		<u>(51,914)</u>
Net Land, Buildings and Equipment	\$	<u>67,889</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 \$1,235 including interest at 10 percent.

Following is a schedule of future minimum lease payments under the capital lease at June 30, 1997:

Future Minimum Lease Payments	\$	38,870
Less: Amount Representing Interest		<u>(4,130)</u>
NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	\$	<u>31,740</u>

The annual payments under the capital lease obligation are as follows: 1998 - \$12,212; 1999 - \$13,508; 2000 - \$6,007.

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 \$2,400. The lease term is one year with an automatic renewal each year.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1987

D. 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.

E. Functional Expenses

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

F. Programs

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

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

G. 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.

H. 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.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1997

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. Financial Statement Presentation

Effective July 1, 1996 the Association adopted Statement of Financial Accounting Standards (SFAS) 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 1997 the Association has no permanently restricted net assets. In addition, the Association is required to present a statement of cash flows. As permitted by this new statement, the Association has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. The effect of the adoption of SFAS No. 117 had the effect of reclassifying a building donated by the Federal government from contributed capital to temporarily restricted net assets in the amount of \$2,750.

B. 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 the donated services do not meet the requirements for accounting recognition under SFAS 117.

C. Land, Buildings and Equipment

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 Association utilizes estimated lives of 5 years for vehicles and household furnishings, 7 to 10 years for furniture and equipment, and 20 to 30 years for buildings.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1987

Cash Flows From Operating Activities

Decrease in net assets	\$ (10,670)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation and amortization	13,399
Changes in assets and liabilities:	
Accounts receivable	(71)
Prepaid expenses	(1,888)
Accounts payable	(178)
Payroll taxes payable	2,516
Net cash provided by operating activities	<u>4,298</u>

Cash Flows From Investing Activities

Payments for property and equipment	<u>(250)</u>
Net cash used by investing activities	<u>(250)</u>

Cash Flows From Financing Activities

Payments on capital lease	<u>(18,483)</u>
Net cash used by financing activities	<u>(18,483)</u>

Net Decrease in Cash (16,435)

Cash at Beginning of Year 36,779

CASH AT END OF YEAR \$ 20,344

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

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1997

	<u>Program Services</u>			<u>Supporting Service Management and General</u>	<u>Total Expenses</u>
	<u>Functional Training</u>	<u>Direct Services</u>			
		<u>Work Activity Center</u>	<u>Total</u>		
Salaries	\$ 107,000	\$ 1,710	\$ 108,710	\$ 8,400	\$ 117,110
Payroll Taxes	8,000	0	8,000	2,000	10,000
Employer Benefits	4,857	0	4,857	2,207	7,064
<u>Total Salaries and Related Expenses</u>	<u>119,657</u>	<u>1,710</u>	<u>121,367</u>	<u>12,607</u>	<u>133,974</u>
Books and Subscriptions	0	0	0	0	0
Food	1,619	20	1,639	0	1,659
Insurance	8,719	0	8,719	0	8,719
Insurance Expense	4,395	0	4,395	0	4,395
Maintenance	2,711	0	2,711	0	2,711
Miscellaneous	140	0	140	0	140
Office Supplies and Postage	688	0	688	0	688
Professional Fees	0	0	0	1,881	1,881
Rent	1,600	0	1,600	0	1,600
Supplies	2,920	0	2,920	0	2,920
Taxes and Licenses	100	0	100	0	100
Telephones	707	0	707	0	707
Training	151	0	151	0	151
Travel	14	0	14	0	14
Utilities	1,080	0	1,080	0	1,080
Vehicle Expense	1,814	0	1,814	0	1,814
<u>Total</u>	<u>126,534</u>	<u>1,730</u>	<u>128,264</u>	<u>14,127</u>	<u>142,391</u>
Depreciation of Buildings and Equipment	15,250	0	15,250	0	15,250
<u>Total Functional Expenses</u>	<u>141,784</u>	<u>1,730</u>	<u>143,514</u>	<u>14,127</u>	<u>157,641</u>
Objective of Administrative Development to Programs	20,320	0	20,320	120,120	0
TOTAL PROGRAM AND SUPPORTING SERVICE EXPENSES	\$ 162,104	\$ 1,730	\$ 163,834	\$ 120,120	\$ 283,684

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

FRANKLIN ASSOCIATION FOR RETIRED CITIZENS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1997

UNRESTRICTED NET ASSETS

Public Support	
Intergovernmental	\$ 170,611
Membership	689
Total Public Support	<u>171,300</u>
Revenues	
Sales and Service Fees	38,246
Total Public Support and Revenues	<u>211,696</u>
Other Support	
Net Assets Released from Time Restrictions	300
Total Public Support and Revenues and Other Support	<u>211,996</u>
Expenses	
Program Services	
Vocational Training	183,700
Seniors' Welfare Work Activity Center	7,766
Total Program Services	<u>191,466</u>
Supporting Services	
Management and General	19,339
Total Expenses	<u>210,805</u>
Increase in Unrestricted Net Assets	(16,576)

TEMPORARILY RESTRICTED NET ASSETS

Net Assets Released from Time Restrictions	<u>(800)</u>
Decrease in Temporarily Restricted Net Assets	(280)
Increase in Net Assets	(1,080)
Net Assets at Beginning of Year	<u>21,756</u>
NET ASSETS AT END OF YEAR	\$ 20,676

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

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 1997

ASSETS

Cash	\$	20,738
Accounts Receivable		8,846
Prepaid Expenses		1,688
Land, Building, and Equipment		119,837
Accumulated Depreciation		<u>(57,914)</u>
TOTAL ASSETS	\$	<u>98,195</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$	2,139
Payroll Taxes Payable		3,181
Other Accrued Liabilities		75
Capital Lease Payable		31,749
Total Liabilities		<u>37,864</u>

Net Assets

Temporarily Restricted		2,490
Unrestricted		<u>58,670</u>
Total Net Assets		<u>61,160</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>98,195</u>
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The accompanying notes are an integral part of this financial statement.

The Board of Directors of Franklin
Association for Retarded Citizens, Inc.
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As discussed in Note 2 to the financial statements, in fiscal 1997 the Association changed its method of financial reporting and financial statement presentation.

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



December 22, 1997



**Luffey
Huffman
& Monroe**

CERTIFIED PUBLIC ACCOUNTANTS

John S. Luffey, CPA, CFP
Francis L. Huffman, CPA
L. Anderson, CPA
Edgar Attorney, CMA
Cynthia, CPA, CMA

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

We have audited the statement of financial position of Franklin Association for Retarded Citizens, Inc. (a nonprofit organization - the Association) as of June 30, 1997, and the related statements of activities, functional expenses and cash flows 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 1997, and the results of its operations and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 22, 1997 on our consideration of the Association's internal control structure and a report dated December 22, 1997 on its compliance with laws and regulations.

FRANKLIN ASSOCIATION FOR RETIRED CITIZENS, INC.

JUNE 30, 1987

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change from 1986
code and PLURD,
ENCL. to 1987

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.

Financial Statements
June 30, 1987

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Auditor, or reviewed, orally and after 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 3-4-98