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**Association for Retarded Citizens -
Baton Rouge
Baton Rouge, Louisiana
June 30, 1999**

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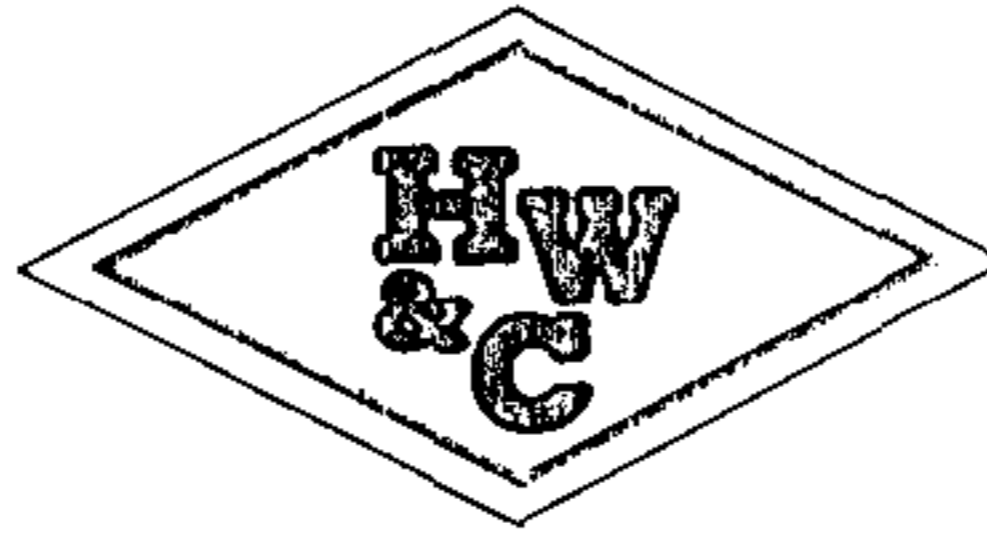
Release Date 1-19-2000 .

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

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RETIRED

December 7, 1999

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, 1999 and June 30, 1998, and the related statements of activities, functional expenses and cash flows 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 the standards applicable to financial 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 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, 1999 and June 30, 1998, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

The Association for Retarded Citizens - Baton Rouge has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Association for Retarded Citizens - Baton Rouge is or will become year 2000 compliant, that the Association for Retarded Citizens - Baton Rouge's year 2000 remediation efforts will be successful in whole or in part, or the parties with which the Association for Retarded Citizens - Baton Rouge does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 1999 on our consideration of the Association for Retarded Citizens - Baton Rouge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed 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 schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. 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.

Yours truly,

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

Liabilities and Net Assets

	<u>1999</u>	<u>1998</u>
Liabilities		
Bank overdraft		\$146,018
Accounts payable	<u>\$6,929</u>	<u>37,664</u>
<u>Total liabilities</u>	<u>6,929</u>	<u>183,682</u>
Net Assets		
Unrestricted	2,803,727	2,601,016
Temporarily restricted	<u>33,410</u>	<u>29,420</u>
<u>Total net assets</u>	2,837,137	2,630,436
	<hr/>	<hr/>
<u>Total liabilities and net assets</u>	<u>2,844,066</u>	<u>2,814,118</u>

Association for Retarded Citizens - Baton Rouge
Statements of Activities
Years Ended June 30, 1999 and June 30, 1998

	<u>1999</u>	<u>1998</u>
Changes in Unrestricted Net Assets		
Revenue		
Capital Area United Way	\$248,454	\$245,062
Contributions	25,153	46,096
Membership	<u>4,124</u>	<u>10,327</u>
<u>Total revenue</u>	<u>277,731</u>	<u>301,485</u>
Program revenue		
Office of Mental Retardation	1,339,535	1,365,515
Medicaid	1,140,290	908,559
Louisiana Rehabilitation Services	445,195	354,782
Residential facilities	157,218	153,855
Department of Education	355,366	308,253
Office of Citizens with Disability Development	74,000	
Office of Community Services	35,716	55,836
Job Training Partnership Act	32,356	46,607
Louisiana Rehabilitation Services Grant	286,309	
Program service fees and other revenue	<u>47,124</u>	<u>22,085</u>
<u>Total program revenue</u>	<u>3,913,109</u>	<u>3,215,492</u>
Other revenue		
Sales and contract income	738,558	657,515
Interest income	47,772	68,215
Miscellaneous income	34,558	6,411
Community and Residential Services Association	<u> </u>	<u>12,599</u>
<u>Total other revenue</u>	<u>820,888</u>	<u>744,740</u>
Unrestricted Revenue and Support	5,011,728	4,261,717
Net assets released from restrictions	<u> </u>	<u>396,894</u>
Unrestricted Revenue and Support	5,011,728	4,658,611

(Continued)

The accompanying notes are an integral part of these statements.

Association of Retarded Citizens - Baton Rouge
Statements of Activities
Years Ended June 30, 1999 and June 30, 1998

	<u>1999</u>	<u>1998</u>
Expenses		
Program services		
Metro Enterprises - Business	\$719,918	\$674,086
Metro Enterprises - Rehabilitation	849,915	811,719
Early Intervention Programs	1,036,293	873,291
Respite Care Programs	1,233,532	1,030,978
Vocation Services - Job Placement	222,525	219,751
Louisiana Career Development Center	251,781	234,391
Other	<u>399,695</u>	<u>298,579</u>
<u>Total program services</u>	<u>4,713,659</u>	<u>4,142,795</u>
Supporting services		
Management, general and other expenses	92,989	90,535
Decrease in market value of investments	<u>2,369</u>	<u>8,435</u>
<u>Total supporting services</u>	<u>95,358</u>	<u>106,919</u>
<u>Total expenses</u>	<u>4,809,017</u>	<u>4,241,765</u>
Increase (Decrease) in Unrestricted Net Assets	<u>202,711</u>	<u>416,846</u>
Changes in Temporarily Restricted Net Assets		
Interest income	758	
Net assets released from restrictions		(396,894)
Other	<u>3,232</u>	<u> </u>
<u>Increase (decrease) in temporarily restricted net assets</u>	<u>3,990</u>	<u>(396,894)</u>
Increase in Net Assets	206,701	19,952
Net Assets, beginning of year	<u>2,630,436</u>	<u>2,610,484</u>
Net Assets, end of year	<u>2,837,137</u>	<u>2,630,436</u>

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Statements of Functional Expenses
Years Ended June 30, 1999 and June 30, 1998

	Metro		Louisiana				Management			
	Enterprises Business	Enterprises Rehabilitation	Early Intervention Programs	Respite Care Programs	Vocational Services Placement	Louisiana Career Development Center	All Other	Total Program Services	1999 Totals	1998 Totals
Salaries	\$451,532	\$552,814	\$683,886	\$857,172	\$151,904	\$163,333	\$155,895	\$3,016,536	\$3,016,536	\$2,570,281
Payroll taxes	57,572	47,040	59,452	108,684	12,378	13,310	13,519	311,955	311,955	323,211
Employee health	12,051	65,955	54,382	96,954	15,132	13,127	9,027	266,628	266,628	210,026
Retirement plan	13,068	61,934	69,109	61,300	18,991	15,423	6,184	246,009	246,009	118,197
Professional services	3,282	9,157	56,269	20,031	1,159	1,352	1,458	92,708	92,708	95,475
Program supplies	6,930	3,244	7,475	14,937	404	629	1,245	34,864	34,864	31,315
Contract supplies	96,136	273						96,409	96,409	108,214
Rent expenses				6,129		12,000		18,129	18,129	13,830
Utilities	14,337	21,925	14,025	6,197	6,748	3,227		66,459	66,459	75,900
Maintenance and repairs	18,105	11,255	18,765	4,894	4,075	1,061	7	58,162	58,162	58,524
Insurance	1,907	7,550	3,713	1,959	1,024	560		16,713	16,713	17,888
Vehicle expenses	18,022	2,526		6,095			10	26,653	26,653	32,443
Equipment rental and maintenance	7,093	3,319	2,363	4,003	722	564	500	18,564	18,564	11,615
Program transportation	874	35,961						36,835	36,835	30,887
Office supplies and expenses	4,634	5,639	13,988	6,379	1,697	3,663	2,889	38,889	38,889	28,042
Dues, subscriptions and publications	3,579	5,419	5,388	5,521	1,534	1,455	415	23,311	23,311	16,753
Travel, conferences and meetings	3,469	4,931	30,946	24,219	2,955	8,570	37,042	112,132	112,132	86,372
Telephone	2,169	3,207	5,646	3,851	2,895	1,576	1,063	20,407	20,407	19,265
Other expenses	4,167	5,340	6,567	2,990	648	642	2,179	22,533	22,837	25,066
Small equipment	332	347	743	1,452	59	11,051	1,216	15,200	15,200	11,580
Interest expense	33	48	47	669	175	204		1,176	1,176	1,519
Assistance to individuals		488	2,549	96	25	5	166,274	169,316	169,321	256,392
Depreciation						29	772	92,680	92,680	5,514
Capitalized equipment	626	1,543	980	96	25			4,071	4,071	85,021
Decrease in market value of investments										8,435
Totals	<u>719,918</u>	<u>849,915</u>	<u>1,036,293</u>	<u>1,233,532</u>	<u>222,525</u>	<u>251,781</u>	<u>399,695</u>	<u>4,713,659</u>	<u>4,809,017</u>	<u>4,241,765</u>

The accompanying notes are an integral part of these statements.

Association of Retarded Citizens - Baton Rouge
Statements of Cash Flows
Years Ended June 30, 1999 and June 30, 1998

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities		
Increase in net assets	\$206,701	\$19,952
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	92,680	85,021
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	77,323	(214,281)
(Increase) decrease in accrued interest receivable	756	1,525
(Increase) in deposit	(124,929)	
(Increase) decrease in inventory		6,093
(Increase) decrease in prepaid expenses	63,671	(37,170)
Increase (decrease) in accounts payable	(26,841)	14,035
Increase (decrease) in accrued expenses	(3,894)	(88,549)
Decrease in market value of investments	<u>2,369</u>	<u>8,435</u>
<u>Net cash provided (used) by operating activities</u>	<u>287,836</u>	<u>(204,938)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment, net	(371,614)	(19,484)
Purchase of investments		70,000
Maturity of investments	<u>230,853</u>	<u> </u>
<u>Net cash provided (used) by investing activities</u>	<u>(140,761)</u>	<u>50,516</u>
Cash Flows From Financing Activities		
Bank overdraft	(146,018)	146,018
Collections on notes receivable	<u>1,299</u>	<u>1,187</u>
<u>Net cash provided (used) by financing activities</u>	<u>(144,719)</u>	<u>147,205</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,356	(7,217)
Cash and Cash Equivalents, beginning of year	<u>90,427</u>	<u>97,644</u>
Cash and Cash Equivalents, end of year	<u><u>92,783</u></u>	<u><u>90,427</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	<u>\$1,176</u>	<u>\$1,519</u>

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1999

Note 1-Nature of Organization

The Association for Retarded Citizens - Baton Rouge (Association) 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. Major programs include Infant Habitation Services to assist families with children ages birth through three years of age who have or who are at risk of developmental disabilities, providing support/training/services to adults with developmental disabilities that are needed to achieve self-identified employment and habilitative outcomes, and provide, in the ITSN's Natural Environment and Center settings, special instruction, speech therapy, occupational therapy, physical therapy, nursing services, travel and transportation, related material and supplies, family counseling and home visits and Child Specific Property for Infants and Toddlers with Special Needs, for whom insurance, Medicaid and OCDD funds are not available. Funding to provide these services and programs are from the Capital Area United Way Agency and various federal and state contracts and grants.

Note 2-Significant Accounting Policies

A. Cash and Cash Equivalents

For the purpose of statement of financial position 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.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1999

Note 2-Significant Accounting Policies (Continued)

C. Support and Expenses (Continued)

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.

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.

E. Concentration of Credit Risk

Credit receivables have significant concentrations of credit risk in the governmental sector in the Baton Rouge, Louisiana area. At June 30, 1999 and June 30, 1998, the portion of these receivables related to this sector was approximately 87% and 89% respectively.

F. Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out method.

G. Depreciation

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

H. Retirement Plan

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

I. Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1999

Note 2-Significant Accounting Policies (Continued)

J. 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 reimbursement requests are submitted to the grantor agency.

K. 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.

L. 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.

M. Reclassifications

Certain reclassifications have been made to the 1998 financial statements to conform with the 1999 financial statement presentation.

Note 3-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.

Pension expense for the years ended June 30, 1999 and 1998 was \$220,581 and \$100,985, respectfully.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1999

Note 3-Pension Plan (Continued)

The following sets forth the plan's funding status and the amounts recognized in the Company's statement of financial position at June 30, 1999 and June 30, 1998 as prepared by Mutual of America in accordance with FASB Statement No. 132.

	<u>1999</u>	<u>1998</u>
Funded Status		
Benefit obligation at June 30	\$2,170,269	\$1,809,205
Fair value of plan assets at June 30	<u>2,059,887</u>	<u>1,733,936</u>
<u>Funded status</u>	<u>110,382</u>	<u>75,269</u>
Prepaid benefit cost recognized in the Statement of Financial Position	\$280,229	\$346,752
 Assumptions as of June 30		
Discount rate	6.5%	7.0%
Expected long-term rate of return on plan assets	7.5%	7.0%
Rate of compensation increase per year	5.0%	5.5%
 Other Data		
Benefit cost	\$220,581	\$100,945
Employer contribution	\$154,058	\$139,241
Employee contribution	None	None
Benefits paid	\$38,733	\$12,448

Note 4-Investments

Investments in certificates of deposits are stated at cost and other investments are stated at market value as quoted by national publications. At June 30, 1999 and 1998, investments are as follows:

	<u>1999</u>	<u>1998</u>
<u>Unrestricted</u>		
Investments in certificates of deposit with maturities from six months to four years and interest rates from 5.5% to 6.5%.	<u>\$535,000</u>	<u>\$725,000</u>
Federal Home Loan Mortgage Corp. with a yield of 7%.		<u>\$43,222</u>

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1999

Note 4-Investments (Continued)

Investment income from cash equivalents and investments is comprised of the following for the year ended June 30, 1999.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividends and interest	\$47,772	\$758
Net unrealized gains (loss)	<u>(2,369)</u>	<u>—</u>
<u>Total</u>	<u>45,403</u>	<u>758</u>

Note 5-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.

Maturities of note receivable for the five years following June 30, 1999 are as follows:

2000	\$1,420
2001	1,553
2002	1,699
2003	1,858
2004	2,032

Note 6-Property and Equipment

A summary of property and equipment at June 30, 1999 and June 30, 1998, is as follows:

	<u>1999</u>	<u>1998</u>
Buildings	\$1,355,617	\$1,355,617
Furniture and equipment	415,175	420,172
Vehicles	103,813	87,288
Drapery and carpets	13,599	13,599
Leasehold improvements	<u>7,031</u>	<u>7,031</u>
	1,895,235	1,883,707
Less depreciation to date	<u>1,263,525</u>	<u>1,226,934</u>
	631,710	656,773
Land	<u>219,997</u>	<u>219,997</u>
	851,707	876,770
Construction-in-progress	<u>303,997</u>	<u>—</u>
<u>Property and equipment, net</u>	<u>1,155,704</u>	<u>876,770</u>

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 1999

Note 7-Temporarily Restricted Net Assets

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

	<u>1999</u>	<u>1998</u>
Building fund	\$33,410	\$29,420

Note 8-Deposit

The Association received a grant for the acquisition and renovation of a building to expand rehabilitation and placement services for the deaf and deaf-blind statewide. This grant required that The Association provide \$142,134 of local matching funds for Louisiana Rehabilitation Services (LRS) to provide \$525,162 of federal funds. The \$142,134 was deposited with LRS. At June 30, 1999, The Association had received \$275,000 reimbursement for the purchase of the building, which is shown as revenue and \$17,205 for other construction cost which was recorded as return of deposit.

Deposit	\$142,134
Reimbursement of construction costs	<u>(17,205)</u>
<u>Deposit balance at June 30, 1999</u>	<u>124,929</u>

Note 9-Letter of Credit Agreement

The Association has entered into a standby letter of credit agreement with a financial institution for \$150,000 at an interest rate of 7.5%. As of June 30, 1999, no funds were due on the letter of credit.

Note 10-Subsequent Events

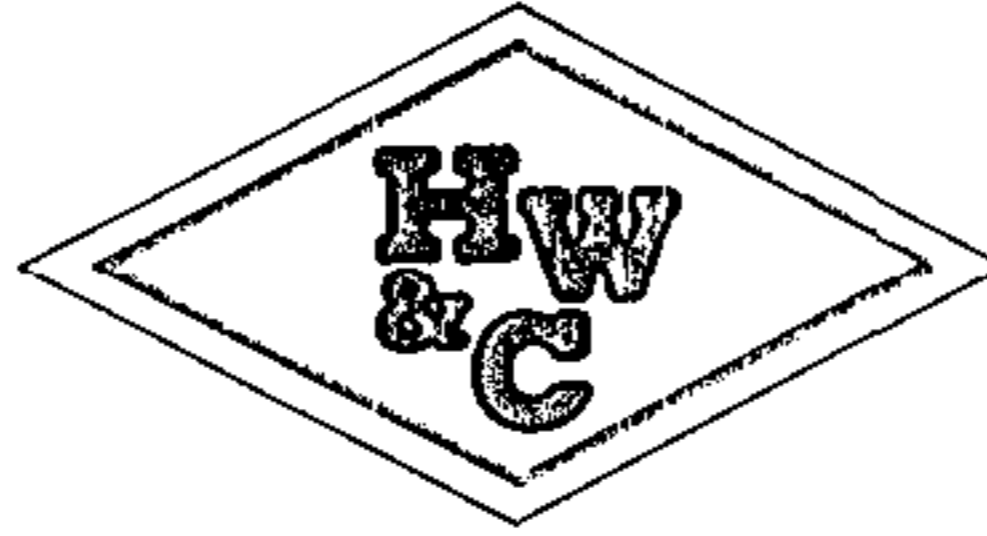
On July 23, 1999, the Association entered into a contract for \$275,000 for renovation of a building to expand rehabilitation and placement services for the deaf and deaf-blind statewide. Funds will be provided from the grant mentioned in Note 8 above.

Subsequent to the end of fiscal 1999, the Association was named as defendant in a wrongful death of a client. Management is reviewing the suit and believes that the complaint is without merit. No assurance can be given, however, this matter will be resolved in the Association's favor.

**Association for Retarded Citizens - Baton Rouge
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 1999**

<u>Programs</u>	<u>C.F.D.A.#</u>	<u>CFMS Number</u>	<u>Disburse- ments/ Expenditures</u>
Individual with Disabilities Education Act - Part H	84.181		\$354,166
Office of Employment and Training - JTPA	17.250		10,092
Office of Employment and Training - JTPA	17.250		20,412
Acquisition and renovation of a building to expand rehabilitation and placement services for the deaf and deaf-blind statewide	84.126A		<u>303,514</u>
			<u>688,184</u>

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December 7, 1999

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ROBERT J. ZERNOTT, C.P.A.
RETIRED
CARL L. HANCOCK, C.P.A.
RETIRED

**Report on Compliance With Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133**

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

Members of the Board:

Compliance

We have audited the compliance of the

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

with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 1999. The Association for Retarded Citizens's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with laws, regulations, contracts, and grants applicable to the Association for Retarded Citizens - Baton Rouge is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the

Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis of our opinion. Our audit does not provide a legal determination of The Association's compliance with those requirements.

In our opinion, The Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the Associated for Retarded Citizens - Baton Rouge is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Association's internal control structure over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended for the use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Hawthorn, Waymouth & Carnall, L.L.P.

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

H. DANIEL CARROLL, C.P.A.
ROBERT E. WALKER, C.P.A.
J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES F. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

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(225) 923-3000 • FAX (225) 923-3008
December 7, 1999

ROBERT E. HAWTHORN, C.P.A.
(1996-1977)
JOHN F. WAYMOUTH, C.P.A.
(1902-1987)
HOWARD V. CARROLL, C.P.A.
(1909-1993)

WARREN C. BEEB, C.P.A.
RETIRED
ROBERT J. ZERNONE, C.P.A.
RETIRED
CARL L. HANCOCK, C.P.A.
RETIRED

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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, 1999, and have issued our report thereon dated December 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the 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 Association for Retarded Citizens - Baton Rouge's financial statements are free of material misstatement, we performed tests of its 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 our audit, and 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial

reporting. Our 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

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

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

H. DANIEL CARROLL, C.P.A.
ROBERT E. WALES, C.P.A.
J. CHARLES PARKER, C.P.A.
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[1902-1987]
HOWARD V. CARROLL, C.P.A.
[1909-1993]

WARREN C. BIER, C.P.A.
RETIRED
ROBERT J. ZEFINO, C.P.A.
RETIRED
CARL L. HANCOCK, C.P.A.
RETIRED

**Schedule on Audit Findings and Questioned
Costs Applicable to Each Major Program in
Accordance with OMB Circular A-133**

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, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Schedule on Audit Findings and Questioned Costs as Required by Circular A-133 Subpart E §505(a)(4)(b) Department of Health and Human Services, C.F.D.A.# 93-224.

- (1) The above mentioned audit report contained an unqualified opinion.
- (2) Our audit report did not disclose any material weaknesses or other conditions in internal control which are required to be reported under OMB Circular A-133.
- (3) We issued an unqualified report on compliance for major programs.
- (4) Our audit report did not disclose any material weaknesses or other conditions in internal control over major programs which are required to be reported by OMB Circular A-133.
- (5) Our audit report did not disclose any material noncompliance in major programs, as described in §.510(a)(2).
- (6) Our audit did not disclose any questioned costs, as described in §.510(a)(3).

(7) The major programs tested as major programs include:

<u>Programs</u>	<u>C.F.D.A.#</u>
Individuals with Disabilities Education Act - Part H	84.181

(8) The auditee's above mentioned program was classified as Type A using \$300,000 of total federal awards expended as the threshold.

(9) The auditee does not qualify as a low risk auditee under §.530.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

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