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

**General Purpose Financial Statements
and Independent Auditor's Reports**

**As of and for the years Ended June 30, 2004 and 2003
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity 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 1-26-05

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.

Franklinton, Louisiana

June 30, 2004 and 2003

TABLE OF CONTENTS

	<u>Note</u>	<u>Page</u>
Independent Auditor's Report on the Financial Statements.		3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		4
General Purpose Financial Statements:		
As of and for the Years Ended June 30, 2004 and 2003		
Statements of Financial Position		5
Statements of Activities		6
Statements of Cash Flows		7
Notes to the Financial Statements-		
Summary of Significant Accounting Policies	1	8
Accounting Basis	A	8
Property and Equipment	B	8
Compensated Absences	C	8
Donated Property Materials, Equipment and Services	D	8
Use of Estimates	E	8
Cash Equivalents	F	9
Cash and Deposits	2	9
Receivables	3	9
Changes in Fixed Assets	4	10
Income Tax Status	5	11
Long Term Obligations	6	11
Loan for Purchase of Building and Land		11
Loan for Purchase of John Deere - Mower		12
Loan for Purchase of Bus		12
Commitments and Contingencies	7	12
Schedule of Findings and Questioned Costs		13
Schedule of Prior Year Audit Findings		15
Management's Corrective Action Plan		16

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statements of financial position of the **Franklinton Association for Challenged Citizens, Inc.** (a nonprofit organization), Franklinton, Louisiana, as of June 30, 2004 and 2003, and the related statements of activities 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.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the 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, 2004 and 2003, and the results of its operations and changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with United States *Government Auditing Standards*, I have also issued a report dated November 10, 2004, on my consideration of the **Franklinton Association for Challenged Citizens, Inc.**'s internal control structure and a report dated November 10, 2004 on its compliance with laws and regulations.

Leroy J. Chustz

Certified Public Accountant, APAC
November 10, 2004

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

Franklinton Association for Challenged Citizens, Inc.
Franklinton, Louisiana

I have audited the financial statements of **Franklinton Association for Challenged Citizens, Inc.**, as of June 30, 2004 and 2003, and have issued my report thereon dated November 10, 2004. I conducted my audits in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **Franklinton Association for Challenged Citizens, Inc's.**, financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered **Franklinton Association for Challenged Citizens, Inc's.**, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Management of **Franklinton Association for Challenged Citizens, Inc.**, Legislative Auditor and 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Leroy J. Chustz

Certified Public Accountant, APAC
November 10, 2004

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2004 and 2003

	2004	2003
Current Assets		
Cash and Cash Equivalents	\$ 266,331.62	\$ 211,665.48
Certificate of Deposit (with original maturities in excess of three months)	102,367.91	130,984.83
Receivables	37,710.46	45,762.04
Prepaid Expense	14,897.66	403.91
Total Current Assets	421,307.65	388,816.26
 Fixed Assets		
Property, Plant and Facilities	332,724.43	308,362.96
Leasehold Improvements	14,767.92	14,767.92
Less: Accumulated Depreciation / Amortization	(211,213.52)	(182,497.63)
Total Property, Plant, and Equipment (Net)	136,278.83	140,633.25
 TOTAL ASSETS	557,586.48	529,449.51
 Current Liabilities		
Accounts Payable	17,275.31	19,784.83
Current Portion of Long - Term Debt	11,493.12	17,940.14
Total Current Liabilities	28,768.43	37,724.97
 Long-Term Liabilities		
Long - term Notes Payable	61,124.09	72,570.01
Long-Term Liabilities	61,124.09	72,570.01
 Total Liabilities	89,892.52	110,294.98
 Net Assets		
Investment in Fixed Assets - Net of Related Debt	63,611.62	140,633.25
Unrestricted Net Assets	404,082.34	278,521.28
Total Net Assets	467,693.96	419,154.53
 TOTAL LIABILITIES & NET ASSETS	\$ 557,586.48	\$ 529,449.51

The accompanying notes are an integral part of this statement.

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2004 and 2003

	2004	2003
Support & Revenue:		
Medicaid	\$ 75,983.67	\$ 65,810.23
Provider Contracts & State Grant	321,675.60	314,235.00
Supportive Services	860,401.95	774,567.12
Interest	4,456.40	5,031.28
Self Generated	101,395.19	77,445.46
Donations & Other	5,026.64	7,595.13
Total Support & Revenues	1,368,939.45	1,244,684.22
Expenses:		
Salaries, wages & benefits	980,727.54	946,386.10
Supplies for activities and projects	52,582.55	35,702.30
Travel and Transportation	61,215.25	60,258.84
Insurance	47,388.08	39,795.08
Client Payroll & Training	28,271.51	25,196.39
Depreciation Expense	28,715.89	24,039.80
Telephone & Utilities	31,715.35	27,542.63
Accounting & Legal Service	15,975.00	16,369.75
Maintenance & Repairs	18,611.66	6,765.97
Cleaning & Maintenance Supplies	11,399.54	8,674.23
Office Supplies	6,666.25	6,764.41
Rent	1,200.00	1,200.00
Dues	130.00	390.00
Client Evaluations	1,821.00	2,169.00
Licenses	600.00	905.00
Leases	14,691.86	
Professional Services	5,182.28	3,864.98
Staff Training	2,383.73	1,451.92
Postage	1,158.90	941.15
Drug Tests & Background Checks	2,349.00	
Interest Expense	5,201.02	703.84
Miscellaneous Expenses	1,139.86	21,179.31
Capital Outlay	3,255.00	3,114.17
Total Expense	1,322,381.27	1,233,414.87
Operating Income (Loss)	46,558.18	11,269.35
Other Financing Sources:		
Gain on Sale of Fixed Assets	1,981.25	0.00
Total Other Financing Sources	1,981.25	11,269.35
NET INCOME (LOSS)	48,539.43	11,269.35
NET ASSETS AT BEGINNING OF YEAR	419,154.53	407,885.18
NET ASSETS AT END OF YEAR	\$ 467,693.96	\$ 419,154.53

The accompanying notes are an integral part of this statement.

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS
STATEMENT OF CASHFLOWS
For the Years Ended June 30, 2004 and 2003

	2004	2003
Operating Activities		
Change in Net Assets	\$ 46,558.18	\$ 11,269.00
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
(Increase) Decrease in-		
Depreciation	28,715.89	24,040.00
Receivables	8,051.58	(16,702.00)
Prepaid Expense	(14,493.73)	
Increase (Decrease) in-		
Accounts Payable	(2,509.52)	(537.00)
Accrued Liabilities	(6,446.20)	
	59,876.20	18,070.00
Net cash used by Operating Activities		
Investing Activities		
Purchase of Certificates of Deposit	28,616.92	(31,785.00)
Proceeds from Sale of Fixed Assets	1,981.25	
Purchases of Fixed Assets	(24,361.47)	(95,348.00)
	6,236.70	(127,133.00)
Net Used by Investing Activities		
Financing Activities		
Proceeds from Notes		95,348.00
Repayments on Notes Payable	(11,445.92)	(4,838.00)
	(11,445.92)	90,510.00
Net cash used (provided by) in financing activities		
Net increase (decrease) in Cash & Cash equivalents	54,666.98	(18,553.00)
Cash & Cash Equivalents at beginning of year	211,665.48	230,218.00
Cash & Cash Equivalents at end of year	266,331.62	211,665.00
Interest Paid	\$ 5,201.02	\$ 704.00

The accompanying notes are an intergal part of this statement.

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.

Notes to the Financial Statements

For the Years Ended June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The Association provides occupational and educational services to mentally challenged persons.

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.

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.
Notes to the Financial Statements, Continued
For the Years Ended June 30, 2004 and 2003

F. **CASH AND 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 CASH EQUIVALENTS**

At year-end, the reported amounts of the Association's deposits were \$ 266,331.62 , and the bank balance was \$ 297,177.38. Of the bank balance, \$ 202,367.91 was covered by federal depository insurance, and \$ 92,145.17 was uninsured and uncollateralized.

3. **RECEIVABLES**

Receivables at June 30, 2004 and 2003 consisted of the following:

	June 30,	
	2003	2003
	<u> </u>	<u> </u>
Accounts receivable - Res-Care	\$ 20,690.40	\$ 21,249.60
State contract - Revenue receivable	11,727.41	19,806.59
Other	5,292.65	4,705.85
Total Receivables	<u>\$ 37,710.46</u>	<u>\$ 45,762.04</u>

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

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.

Notes to the Financial Statements, Continued

For the Years Ended June 30, 2004 and 2003

4. CHANGES IN FIXED ASSETS

The following is a summary of changes in fixed assets:

	BALANCE			BALANCE
	06/30/02	ADDITIONS	DELETIONS	06/30/03
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Furniture, fixtures, and equipment	\$ 58,703	\$ 3,436	0	\$ 62,139
Vans and buses	154,311	24,912	0	179,223
Leasehold improvements	14,768	0	0	14,768
Land	0	10,000	0	10,000
Building	<u>0</u>	<u>57,000</u>	<u>0</u>	<u>57,000</u>
 Investments in property and equipment	 <u>\$ 227,782</u>	 <u>\$ 95,348</u>	 <u>\$ 0</u>	 <u>\$ 323,130</u>
 Less accumulated depreciation				 <u>182,498</u>
Property and equipment net of accumulated depreciation				 <u>\$ 140,632</u>

	BALANCE			BALANCE
	06/30/03	ADDITIONS	DELETIONS	06/30/04
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Furniture, fixtures, and equipment	\$ 62,139.47			\$ 62,139.47
Vans and buses	179,223.43			179,223.43
Leasehold improvements	14,767.92			14,767.92
Land	10,000.00			10,000.00
Building	<u>57,000.00</u>	<u>\$ 24,361.47</u>	<u> </u>	<u>81,361.47</u>
 Investments in property and equipment	 <u>\$ 323,130.82</u>	 <u>\$ 24,361</u>	 <u> </u>	 <u>\$ 347,492.29</u>
 Less accumulated depreciation				 <u>211,213.49</u>
Property and equipment net of accumulated depreciation				 <u>\$ 136,278.80</u>

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.

Notes to the Financial Statements, Continued

For the Years Ended June 30, 2004 and 2003

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 Interval Revenue Service under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(C)(3). The United States Internal Revenue Service has determined Franklinton Association for Challenged Citizens, Inc. Is not a private foundation.

6. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2002:

Long-term obligations payable at June 30, 2002	\$	0
Additions:		95,348
Retirements		(4,838)
		<u> </u>
Long-term obligations payable at June 30, 2003	\$	<u>90,510</u>

The following is a summary of the long-term obligation transactions for the year ended June 30, 2003:

Long-term obligations payable at June 30, 2003	\$	90,510.15
Additions:		
Retirements		(17,892.94)
		<u> </u>
Long-term obligations payable at June 30, 2004	\$	<u>72,617.21</u>

LOAN FOR PURCHASE OF BUILDING AND LAND

On May 5, 2003, the Association purchased a tract of land and the building located on the land at 2005 Main Street for \$67,000 and financed it for 15 years. The Association financed the building and the land through Citizens Savings Bank located in Franklinton, Louisiana. The Association placed the building and land up for collateral on the loan for the same piece of land. The Association is paying an interest rate of 6.75% per annum. In addition, the Association must hold a \$21,000 Certificate of Deposit with Citizens Savings Bank and \$10,000 will be pledged as collateral. The Association makes monthly payments \$592.45.

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.
Notes to the Financial Statements, Continued
For the Years Ended June 30, 2004 and 2003

LOAN FOR PURCHASE OF JOHN DEERE - MOWER

In May 2003, the Association purchased a mower from John Deere. The Association financed the mower with John Deere credit for six months with no interest rate. The Association pays a monthly rate of \$572.20.

LOAN FOR PURCHASE OF BUS

On February 18, 2003, the Association purchased a bus in the amount of \$24,912. The Association borrowed the funds from Resource Bank of Franklinton. The life of the loan is two years and has an interest rate of 5% per annum. The bus was placed up for collateral on the loan. The Association has a monthly payment of \$1,093.56.

YEAR ENDED JUNE 30,	BUS		BUILDING		TOTAL		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2,005	\$ 8,617.21	\$ 161.26	\$ 2,909.68	\$ 4,199.72	\$ 11,526.89	\$ 4,360.98		
2,006			3,110.72	3,998.68	3,110.72	3,998.68		
2,007			3,325.66	3,783.74	3,325.66	3,783.74		
2,008			3,555.46	3,553.94	3,555.46	3,553.94		
2,009			3,801.12	3,308.28	3,801.12	3,308.28		
2010 to 2014			23,327.49	12,219.51	23,327.49	12,219.51		
2015 to 2019			23,969.87	3,275.34	23,969.87	3,275.34		
Total	\$ 8,617.21	\$ 161.26	\$ 64,000.00	\$ 34,339.21	\$ 72,617.21	\$ 34,500.47		

7. COMMITMENTS AND CONTINGENCIES

The association 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 programs and activities.

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

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.

Franklinton, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2004

I have audited the financial statements of **Franklinton Association for Challenged Citizens** as of and for the year ended June 30, 2004, and have issued my report thereon dated November 10, 2004. I conducted my 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. My audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance Material to Financial Statements Yes No

b. Federal Awards

c. Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Type of Opinion On Compliance Unqualified Qualified

For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)?

Yes No

Identification of Major Programs:

CFDA Number(s) Name of Federal Program (or Cluster)

Not applicable

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? Yes No

**Franklinton Association for Challenged Citizens
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2004**

Section II Financial Statement Findings

Current Year Findings

No Reportable Findings

Prior Year Findings

No Reportable Findings

Section III Federal Award Findings and Questioned Costs

No Reportable Findings

Leroy J. Chustz

Certified Public Accountant, APAC

November 10, 2004

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.

Franklinton, Louisiana

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2004

SECTION I-Internal Control and Compliance Material to the Financial Statements:

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken	Additional Explanation
None					

SECTION II-Internal Control and Compliance Material to the Federal Awards:

No Reportable Findings

SECTION III-Management Letter:

No Reportable Findings

Leroy J. Chustz

Certified Public Accountant, APAC

November 10, 2004

FRANKLINTON ASSOCIATION FOR CHALLENGED CITIZENS, INC.

Franklinton, Louisiana

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended June 30, 2004

Section I-Internal Control and Compliance Material to the Financial Statements:

Ref. No.	Description of Finding	Corrective Action Planned	Name(s) of Contact Person(s)	Anticipated Completion Date
None				

Section II-Internal Control and Compliance Material to Federal Awards:

No Reportable Findings

Section III-Management Letter:

No Reportable Findings

Leroy J. Chustz

Certified Public Accountant, APAC

November 10, 2004