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**FRANKLIN ASSOCIATION
FOR RETARDED CITIZENS, INC.**

**Financial Statements
June 30, 2001**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and to the 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 1-16-02

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.

JUNE 30, 2001

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Luffey
Huffman
& Monroe

(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Alleberry, CPA
Carolyn A. Clarke, CPA

INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Franklin Association for Retarded Citizens, Inc.
Winnsboro, 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, 2001 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 auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide* issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2001 on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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.



(A Professional Accounting Corporation)

December 28, 2001

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2001

ASSETS

Cash	\$	69,170
Accounts Receivable		8,832
Prepaid Expenses		1,057
Land, Building and Equipment		121,713
Accumulated Depreciation		(98,781)
		101,991
TOTAL ASSETS	\$	101,991

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$	2,311
Payroll Taxes Payable		469
Other Accrued Liabilities		225
		3,005
Total Liabilities		3,005

Net Assets

Unrestricted		97,736
Temporarily Restricted		1,250
		98,986
Total Net Assets		98,986

TOTAL LIABILITIES AND NET ASSETS	\$	101,991
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The accompanying notes are an integral part of this financial statement.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2001

UNRESTRICTED NET ASSETS

Public Support	
Intergovernmental	\$ 200,571
Membership	540
Donations	439
Total Public Support	201,550
Revenue	
Sales and Service Fees	17,403
Other Support	
Net Assets Released from Time Restrictions	300
Total Public Support and Revenue and Other Support	219,253
Expenses	
Program Services:	
Vocational Training	147,517
Bertha Nelson Work Activity Center	8,840
Total Program Services	156,357
Supporting Services:	
Management and General	48,978
Total Expenses	205,335
Increase in Unrestricted Net Assets	13,918

TEMPORARILY RESTRICTED NET ASSETS

Net Assets Released from Time Restrictions	(300)
Decrease in Temporarily Restricted Net Assets	(300)
Increase in Net Assets	13,618
Net Assets at Beginning of Year	85,368
NET ASSETS AT END OF YEAR	\$ 98,986

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, 2001

	Program Services			Supporting Services	Total
	Vocational Training	Bertha Nelson Work Activity Center	Total		
Salaries	\$ 86,554	\$ 6,407	\$ 92,961	\$ 35,100	\$ 128,061
Payroll Taxes	6,536	-	6,536	2,685	9,221
Employee Benefits	13,270	-	13,270	4,704	17,974
Total Salaries and Related Expenses	<u>106,360</u>	<u>6,407</u>	<u>112,767</u>	<u>42,489</u>	<u>155,256</u>
Food	-	2,433	2,433	-	2,433
Insurance	9,211	-	9,211	-	9,211
Maintenance	916	-	916	-	916
Miscellaneous	-	-	-	184	184
Office Supplies and Postage	656	-	656	-	656
Professional Fees	-	-	-	6,300	6,300
Rent	2,400	-	2,400	-	2,400
Supplies	796	-	796	-	796
Taxes and Licenses	-	-	-	5	5
Telephone	470	-	470	-	470
Training	2,072	-	2,072	-	2,072
Travel	160	-	160	-	160
Utilities	4,514	-	4,514	-	4,514
Vehicle Expense	12,445	-	12,445	-	12,445
Total	<u>140,000</u>	<u>8,840</u>	<u>148,840</u>	<u>48,978</u>	<u>197,818</u>
Depreciation of Buildings and Equipment	<u>7,517</u>	<u>-</u>	<u>7,517</u>	<u>-</u>	<u>7,517</u>
Total Functional Expenses	147,517	8,840	156,357	48,978	205,335
Allocation of Administrative Overhead to Programs	<u>48,794</u>	<u>-</u>	<u>48,794</u>	<u>(48,794)</u>	<u>-</u>
TOTAL PROGRAM AND SUPPORTING SERVICE EXPENSES	<u>\$ 196,311</u>	<u>\$ 8,840</u>	<u>\$ 205,151</u>	<u>\$ 184</u>	<u>\$ 205,335</u>

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

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

Cash Flows From Operating Activities

Increase in net assets	\$	13,618
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		7,517
Changes in assets and liabilities:		
Accounts receivable		(5,144)
Prepaid expenses		610
Accounts payable		(583)
Payroll taxes payable		(663)
Other accrued liabilities		(8,395)
Total adjustments		<u>(6,658)</u>
Net cash provided by operating activities		<u>6,960</u>
 Increase in Cash		 6,960
 Cash at Beginning of Year		 <u>62,210</u>
 CASH AT END OF YEAR	 \$	 <u><u>69,170</u></u>

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

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

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 residing primarily in Franklin parish, Louisiana. 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 and Basis of Accounting

The Association's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its 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, 2001 the Association has no permanently restricted net assets.

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

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 leasehold improvements, 5 to 10 years for furniture and equipment, and 20 to 30 years for buildings.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

D. Compensated Absences

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 classification. 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 prevocational activities and supportive services.

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

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

Note 3 - Land, Buildings and Equipment

Land, buildings and equipment consist of the following at June 30, 2001:

Buildings	\$	47,104
Furniture and Equipment		13,704
Vehicles		49,155
Leasehold Improvements		1,750
Land		10,000
		<u>121,713</u>
Less: Accumulated Depreciation		<u>(98,781)</u>
 Net Land, Buildings and Equipment	 \$	 <u>22,932</u>

Note 4 - 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.

Note 5 - Disclosures About Concentrations

The Association received over \$189,000 in funding from the state of Louisiana through the Office of Citizens with Developmental Disabilities during the year ended June 30, 2001. This represents over 86% of the Association's revenue.

**SUPPLEMENTARY INFORMATION -
GRANT ACTIVITY**

**FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED JUNE 30, 2001**

<u>Grantor Program/Program Title</u>	<u>Grant Assistance Number</u>	<u>State Award Amount</u>	<u>State Financial Assistance Current Year</u>	
			<u>Revenue Recognized</u>	<u>Expenditures</u>
Louisiana Department of Health and Hospitals Office for Citizens with Developmental Disabilities	OCDD	\$189,498	\$189,498	\$189,498

See Notes to Schedule of Expenditures of State Awards.

FRANKLIN ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2001

Note 1 - General

The Schedule of Expenditures 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, which is more fully described in Note 2 to the Association's financial statements.

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	\$ 189,498
Medicaid Revenue	<u>11,073</u>
Total Intergovernmental Revenue	\$ <u>200,571</u>



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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 Retarded Citizens, Inc.
Winnsboro, Louisiana

We have audited the financial statements of the **Franklin Association of Retarded Citizens, Inc.** (a non-profit corporation – the Association) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Association'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

**Franklin Association for Retarded Citizens
Winnsboro, Louisiana**

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

This report is intended for the information of management of the Association, other entities granting funds to the Association and the Legislative Auditor for the state of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

December 28, 2001