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**Association for Retarded Citizens -
Baton Rouge
Baton Rouge, Louisiana
June 30, 2003**

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 3.3.04

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

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

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CERTIFIED PUBLIC ACCOUNTANTS

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December 31, 2003

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
(A Non-Profit Organization)
Baton Rouge, Louisiana**

as of June 30, 2003 and June 30, 2002, 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 auditing standards generally accepted in the United States of America 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, 2003 and June 30, 2002, and the changes in its net assets and its cash flows for the years 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 31, 2003 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. 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.

Yours truly,

Hawthorn, Weymouth & Carroll L.L.P.

Association for Retarded Citizens - Baton Rouge
Statements of Financial Position
June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
A s s e t s		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$354,889	\$43,278
Temporarily restricted		<u>34,362</u>
	<u>354,889</u>	<u>77,640</u>
Receivables		
Accounts receivable		
Trade	109,434	62,340
State contracts	263,475	674,892
Federal contracts	27,424	67,901
Notes receivable, current portion	2,032	1,858
Interest receivable		<u>4,278</u>
	<u>402,365</u>	<u>811,269</u>
Inventory	8,273	17,208
<u>Total current assets</u>	<u>765,527</u>	<u>906,117</u>
Noncurrent Assets		
Property, plant and equipment, net	<u>1,479,525</u>	<u>1,533,314</u>
Investments		
Certificates of deposit	169,121	267,942
Equity investments	<u>7,134</u>	<u>8,290</u>
	<u>176,255</u>	<u>276,232</u>
Notes receivable, net of current portion	<u>42,970</u>	<u>45,436</u>
<u>Total noncurrent assets</u>	<u>1,698,750</u>	<u>1,854,982</u>
<u>Total assets</u>	<u>2,464,277</u>	<u>2,761,099</u>

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets

	<u>2002</u>	<u>2001</u>
Liabilities		
Notes payable - letter of credit	\$299,098	\$85,688
Accounts payable	30,832	95,015
Accrued payroll	162,520	114,451
Note payable - vehicle	15,599	19,094
Capital lease	32,120	
Accrued pension cost	<u>141,843</u>	<u> </u>
<u>Total liabilities</u>	<u>682,012</u>	<u>314,248</u>
Net Assets		
Unrestricted	1,782,265	2,412,489
Temporarily restricted	<u> </u>	<u>34,362</u>
<u>Total net assets</u>	<u>1,782,265</u>	<u>2,446,851</u>
	<u> </u>	<u> </u>
<u>Total liabilities and net assets</u>	<u>2,464,277</u>	<u>2,761,099</u>

Association for Retarded Citizens - Baton Rouge
Statements of Activities
Years Ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Unrestricted Net Assets		
Unrestricted revenue and gains		
State contracts	\$4,301,241	\$4,666,822
Federal awards	275,440	294,470
Program sales and service fees	551,538	588,843
Capital Area United Way	290,505	279,600
Contributions	127,589	64,757
Investment return	12,686	16,039
Other	<u>4,912</u>	<u>2,447</u>
<u>Total unrestricted revenue and gains</u>	<u>5,563,911</u>	<u>5,912,978</u>
Expenses		
Program services		
Metro Enterprises - Business	509,974	541,500
Metro Enterprises - Rehabilitation	909,432	820,683
Early Intervention Programs	1,136,139	1,110,093
Respite Care Programs	1,573,131	1,555,490
Vocation Services - Job Placement	580,498	494,875
Louisiana Career Development Center	200,356	193,696
Other	<u>922,003</u>	<u>887,951</u>
	5,831,533	5,604,288
Supporting services		
Management, general and other expenses	<u>397,111</u>	<u>397,126</u>
<u>Total expenses</u>	<u>6,228,644</u>	<u>6,001,414</u>
Transferred to unrestricted	<u>34,509</u>	<u> </u>
Increase (Decrease) in Unrestricted Net Assets	<u>(630,224)</u>	<u>(88,436)</u>
Changes in Temporarily Restricted Net Assets		
Interest income	147	728
Transferred to unrestricted	<u>(34,509)</u>	<u> </u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(34,362)</u>	<u>728</u>
Decrease in Net Assets	<u>(664,586)</u>	<u>(87,708)</u>
Net Assets, beginning of year	<u>2,446,851</u>	<u>2,534,559</u>
Net Assets, end of year	<u>1,782,265</u>	<u>2,446,851</u>

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Statement of Functional Expenses
Year Ended June 30, 2003

	Metro Enterprises Business	Metro Enterprises Rehabilitation	Early Intervention Programs	Respite Care Programs	Vocational Services Placement	Louisiana Career Development Center	All Other Programs	Total Program Services	Management, General and Other	2003 Totals
Compensation & related benefits										
Salaries	\$310,951	\$574,515	\$770,604	\$1,119,215	\$381,128	\$130,277	\$639,818	\$3,926,508	\$178,793	\$4,105,301
Payroll taxes and insurance	33,913	44,947	60,969	116,382	29,936	10,048	51,542	347,737	15,327	363,064
Employee health	13,148	96,465	74,732	165,777	50,337	18,793	81,278	500,530	17,340	517,870
Retirement and life plans	9,399	64,425	72,406	66,360	33,667	15,158	33,610	295,025	27,858	322,883
	<u>367,411</u>	<u>780,352</u>	<u>978,711</u>	<u>1,467,734</u>	<u>495,068</u>	<u>174,276</u>	<u>806,248</u>	<u>5,069,800</u>	<u>239,318</u>	<u>5,309,118</u>
Contractual service	67,287	50						67,337		67,337
Professional services	235	4,435	49,717	40	285	185	368	55,265	20,940	76,205
Supplies	3,419	2,235	23,946	16,499	6,509	767	2,439	58,814	8,950	67,764
Utilities	16,215	29,781	19,273	16,701	16,516	10,973	1,925	111,384	14,160	125,544
Maintenance & equipment rental	10,427	11,829	17,631	5,995	2,989	2,828	109	51,808	7,368	59,176
Membership dues	150	80	287	130	923	185	60	1,815	22,624	24,439
Travel, conferences & meeting		23,763						23,763		23,763
Office expenses	235	183	1,697	1,216	967	113	307	4,718	6,253	10,971
General insurance		264	212					476	53,454	53,930
Vehicle expenses	10,329	2,231		8,735				21,295	10	21,305
Program transportation	2,646	6,229	33,146	35,245	24,858	4,061	32,108	138,293	11,130	149,423
Interest expense		1,175						1,175	2,352	3,527
Other expenses	2,736	3,335	4,649	3,019	2,262	354	1,451	17,805	10,552	28,357
Assistance to individuals				50	272		76,988	77,310		77,310
Depreciation	28,883	40,491	6,870	17,767	29,849	6,615		130,475		130,475
Totals	<u>509,974</u>	<u>909,432</u>	<u>1,136,139</u>	<u>1,573,131</u>	<u>580,498</u>	<u>200,356</u>	<u>922,003</u>	<u>5,831,533</u>	<u>397,111</u>	<u>6,228,644</u>

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Statement of Functional Expenses
Year Ended June 30, 2002

	Metro Enterprises Business	Metro Enterprises Rehabilitation	Early Intervention Programs	Respite Care Programs	Vocational Services Placement	Louisiana Career Development Center	All Other Programs	Total Program Services	Management, General and Other	2002 Totals
Compensation & related benefits										
Salaries	\$347,764	\$518,569	\$758,242	\$1,114,275	\$328,542	\$127,946	\$559,213	\$3,754,551	\$168,983	\$3,923,534
Payroll taxes and insurance	41,164	44,487	67,846	124,867	28,031	10,876	48,005	365,276	11,122	376,398
Employee health	13,776	86,922	69,893	159,437	38,473	16,222	65,043	449,766	1,702	451,468
Retirement and life plans	9,421	58,328	70,261	69,433	25,761	13,739	30,263	277,206	25,014	302,220
	412,125	708,306	966,242	1,468,012	420,807	168,783	702,524	4,846,799	206,821	5,053,620
Contractual service	20,406	10,366	50,987	762	626	1,325	1,035	85,507	20,733	106,240
Professional services									3,500	3,500
Supplies	48,773	2,981	16,398	16,688	9,086	1,447	2,634	98,007	9,761	107,768
Utilities	14,005	27,947	17,729	15,903	11,459	9,591	2,172	98,806	12,225	111,031
Maintenance & equipment rental	9,242	7,721	10,559	2,296	7,034	2,680	170	39,702	6,387	46,089
Membership dues	30	75	25	25	90	275	25	545	24,680	25,225
Travel, conferences & meetings	397	415	2,140	3,446	15,610	1,107	16,838	39,953	11,771	51,724
General insurance	164	100	212					476	44,761	45,237
Vehicle expenses	8,057	6,470		3,089			75	17,691		17,691
Program transportation	4,607	21,849	32,588	30,776	4,519	2,959	20,183	117,481	1,624	119,105
Interest expense									10,582	10,582
Other expenses	4,357	7,706	8,741	3,332	5,611	1,101	986	31,834	14,715	46,549
Assistance to individuals				33	50		141,170	141,253		141,253
Depreciation	19,337	26,747	4,472	11,128	19,983	4,428	139	86,234	29,566	115,800
Totals	541,500	820,683	1,110,093	1,555,490	494,875	193,696	887,951	5,604,288	397,126	6,001,414

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Statements of Cash Flows
Years Ended June 30, 2003 and June 30, 2002

	<u>2003</u>	<u>2002</u>
Cash Flows From Operating Activities		
Decrease in net assets	(\$664,586)	(\$87,708)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	130,475	115,800
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	404,800	(221,204)
Accrued interest receivable	4,278	205
Inventory	8,935	7,777
Prepaid expenses		84,416
Market value of investments	1,156	3,393
Increase (decrease) in		
Accounts payable	(64,183)	24,082
Accrued payroll	48,069	114,451
Accrued pension cost	<u>141,843</u>	
<u>Net cash provided by operating activities</u>	<u>10,787</u>	<u>41,212</u>
Cash Flows From Investing Activities		
Purchase of property and equipment, net	(76,686)	(101,850)
Investments acquired		(102,941)
Maturity of investments	<u>98,821</u>	<u> </u>
<u>Net cash provided (used) by investing activities</u>	<u>22,135</u>	<u>(204,791)</u>
Cash Flows From Financing Activities		
Payments on notes payable	(3,495)	(12,089)
Collections on notes receivable	2,292	1,264
Capital lease	32,120	
Proceeds of notes payable	<u>213,410</u>	<u>19,094</u>
<u>Net cash provided (used) by financing activities</u>	<u>244,327</u>	<u>8,269</u>
Net Increase (Decrease) in Cash and Cash Equivalents	277,249	(155,310)
Cash and Cash Equivalents, beginning of year	<u>77,640</u>	<u>232,950</u>
Cash and Cash Equivalents, end of year	<u>354,889</u>	<u>77,640</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	<u>\$3,527</u>	<u>\$10,582</u>

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 2003

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 through three years of age who have or who are at risk of developmental disabilities, providing support/training/services that are needed to achieve self-identified employment and habilitative outcomes for adults with developmental disabilities, and to provide 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 comes 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

Cash equivalents are considered to be highly liquid investments with maturities of three months or less for the purpose of statement of financial position presentation. 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,

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 2003

Note 2-Significant Accounting Policies (Continued)

C. Support and Expenses (Continued)

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.

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 Receivables

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, 2003, the portion of these receivables related to this sector was approximately 92%.

F. Inventory

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

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 2003

Note 2-Significant Accounting Policies (Continued)

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.

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.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 2003

Note 2-Significant Accounting Policies (Continued)

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 prior year's financial statements to conform with the current year's financial statement presentation.

Note 3-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, 2003 and 2002 investments are as follows:

<u>Unrestricted</u>	<u>2003</u>	<u>2002</u>
Investments in certificates of deposit with maturities from one to two years and interest rates from 4.0% to 4.8%.	<u>\$169,121</u>	<u>\$267,942</u>
Equity investments - corporate stock	<u>\$7,134</u>	<u>\$8,290</u>

Investment income from cash equivalents and investments is comprised of the following for the year ended June 30, 2003.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividends and interest	\$18,568	\$147
Net unrealized gains (loss)	<u>(1,156)</u>	—
<u>Total</u>	<u>17,412</u>	<u>147</u>

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 2003

Note 4-Note Receivable

The Association sold facilities on Wayne Drive for \$57,000 in 1995 and financed the sale. Terms are monthly installments of \$500, and include 9% interest per annum maturing January, 2016.

Maturities of note receivable for the five years following June 30, 2003 are as follows:

2004	\$2,032
2005	2,223
2006	2,438
2007	2,692
2008	2,785

Note 5-Property and Equipment

A summary of property and equipment at June 30, 2003 and June 30, 2002, is as follows:

	<u>2003</u>	<u>2002</u>
Buildings and improvements	\$2,164,637	\$2,164,637
Furniture and equipment	571,239	494,553
Vehicles	<u>127,629</u>	<u>127,629</u>
	2,863,505	2,786,819
Less depreciation to date	<u>1,703,977</u>	<u>1,573,502</u>
	1,159,528	1,213,317
Land	<u>319,997</u>	<u>319,997</u>
<u>Property and equipment, net</u>	<u>1,479,525</u>	<u>1,533,314</u>

Note 6-Temporarily Restricted Net Assets

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

	<u>2003</u>	<u>2002</u>
Building fund	None	\$34,362

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 2003

Note 7-Letter of Credit Agreement

The Association has entered into a standby letter of credit agreement with a financial institution for \$300,000 at an interest rate of 4.0%. The amount due on the letter of credit at June 30, 2003 and June 30, 2002 was \$299,098 and \$85,688, respectively, and is classified as notes payable - letter of credit, on the statements of financial position. The obligation is secured by the building on Kelwood Ave. and payable on demand.

Note 8-Note and Capital Lease Payable

The Association obtained a vehicle loan in April of 2002 for \$19,927 with monthly payments of \$397 for 5 years at an annual interest rate of 7.25%. The balance at June 30, 2003 and June 30, 2002 was \$15,599 and \$19,094. The note matures as follows:

2004	3,755
2005	4,037
2006	4,340
2007	<u>3,467</u>
	<u>15,599</u>

The Association entered into a capital lease agreement for the purchase of major air conditioning equipment in May 2003. The terms are monthly payments of \$1,028 for 33 months as a implied interest rate of 15.89%. Minimum lease payments are as follows:

2004	\$14,495
2005	14,495
2006	<u>10,865</u>
	39,855
Amount representing interest	<u>7,735</u>
Present value of lease payments	<u>32,120</u>

Note 9-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.

Association for Retarded Citizens - Baton Rouge
Notes to Financial Statements
June 30, 2003

Note 9-Pension Plan (Continued)

Pension expense for the years ended June 30, 2003 and 2002 was \$325,779 and \$252,995, respectively.

The following sets forth the plan's funding status and the amounts recognized in the Company's statement of financial position at June 30, 2003 and June 30, 2002 as prepared by Mutual of America.

	<u>2003</u>	<u>2002</u>
Funded Status		
Benefit obligation at June 30	\$3,071,168	\$2,709,147
Fair value of plan assets at June 30	<u>2,247,736</u>	<u>2,002,242</u>
<u>Funded status (deficit)</u>	<u>823,432</u>	<u>706,905</u>
Prepaid (accrued) benefit cost recognized in the Statement of Financial Position	(\$142,470)	(\$627)
Change in benefit obligation due to plan amendments	-0-	-0-
Change due to assumption changes	(\$123,783)	
Assumptions as of June 30		
Discount rate	6.5%	6.5%
Expected long-term rate of return on plan assets	8.0%	8.0%
Rate of compensation increase per year	5.0%	5.0%
Other Data		
Benefit cost	\$325,779	\$252,995
Employer contribution	\$183,936	\$170,120
Employee contribution	None	None
Benefits paid	\$38,612	\$257,720

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



J. CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
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December 31, 2003

**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
(A Non-Profit Organization)
Baton Rouge, Louisiana**

as of and for the year ended June 30, 2003, and have issued our report thereon dated December 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 one instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings as item 2003-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association for Retarded Citizens - Baton Rouge'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 solely for the information and use of management, federal awarding agencies, pass-through entities, Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Hawthorn, Weymouth & Corroll L.L.P.

Association for Retarded Citizens - Baton Rouge
Schedule of Findings
Year Ended June 30, 2003

Findings - Financial Statement Audit

2003-1 Audit Report

Condition

The audit report is to be submitted no more than six months after the end of the fiscal year. The report has been delayed due to the unexpected scheduling conflicts with the auditing firm.

Recommendation

Planning and preparations should be made to anticipate circumstances which would delay reports beyond the required filing date and plan accordingly.

Management's Response

Management agrees with the recommendation.

Corrective Action

Proper planning and scheduling will be implemented and monitored to insure the June 30, 2004 audit report will be filed timely.

This has been implemented.