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*Financial Report*

*MacDonell United Methodist  
Children's Services, Inc.*

*Houma, Louisiana*

*June 30, 1996*

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Release Date: DEC 20 1996

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Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
MacDonald United Methodist Children's Services, Inc.,  
Houma, Louisiana.

We have audited the accompanying statements of financial position of MacDonald United Methodist Children's Services, Inc. (the Center) as of June 30, 1996 and 1995, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 those Governmental Auditing Standards, issued by the Controller General of the United States. These standards require that we 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. 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 Center as of June 30, 1996 and 1995, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 25, 1996 on our consideration of the Center's internal control structure and a report dated September 25, 1996 on its compliance with laws and regulations.

As discussed in Note 2 to the financial statements, during the year ended June 30, 1996 the Center changed its method of accounting for contributions and its method of reporting and financial statement presentation.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants

Houma, La.,  
September 25, 1996.

## STATEMENTS OF FINANCIAL POSITION

## MacDonell United Methodist Children's Services, Inc.

June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
<b>Assets</b>		
Cash	\$ 273,344	\$ 168,790
Operating trust - investments	175,597	149,144
Accounts receivable, state agencies	98,700	106,612
Rent receivable	-	540
Prepaid insurance	24,355	22,597
Assets restricted for future years' use of facilities	98,762	-
Endowment trust - investments	210,628	189,437
Restricted trust - investments	46,949	43,952
Property and equipment, net	320,215	308,081
Deposits	655	655
<b>Totals</b>	<u>\$ 1,269,105</u>	<u>\$ 990,608</u>
<b>Liabilities</b>		
Accounts payable	\$ 15,648	\$ 34,832
Accrued salaries	1,769	23,199
Payroll taxes payable	1,836	1,620
Other liabilities	2,737	2,294
<b>Total liabilities</b>	<u>21,990</u>	<u>46,055</u>
<b>Net Assets</b>		
Unrestricted:		
Designated for subsequent years' expenses and plant expansion	210,628	189,437
Undesignated	870,779	711,180
<b>Total unrestricted</b>	1,081,407	900,617
Temporarily restricted	98,762	-
Permanently restricted	46,949	43,952
<b>Total net assets</b>	<u>1,227,118</u>	<u>944,569</u>
<b>Totals</b>	<u>\$ 1,249,125</u>	<u>\$ 990,608</u>

See notes to financial statements.

**STATEMENTS OF ACTIVITIES**
**MacDonell United Methodist Children's Services, Inc.**

For the years ended June 30, 1996 and 1995

	1996	1995
<b>Unrestricted Net Assets</b>		
<b>Support, Revenue and Net Assets Released from Restrictions:</b>		
<b>Support:</b>		
State of Louisiana, Department of Social Services	\$1,237,934	\$1,208,217
General Board of Global Ministries of the United Methodist Church	32,270	38,875
Churches and other affiliates	13,508	8,344
Contributions of individuals and other non-church affiliates	39,837	68,988
In-kind contributions, use of facility	-	43,680
In-kind contributions, insurance	13,017	12,903
In-kind contributions, interest	4,975	-
Special events	49,858	33,306
	<u>1,411,428</u>	<u>1,435,853</u>
<b>Revenue:</b>		
Interest income, bank accounts	5,113	3,688
<b>Investment income:</b>		
Interest and dividends	20,474	11,491
Unrealized gains	10,392	16,315
Other income	20,404	18,455
	<u>56,383</u>	<u>44,949</u>
<b>Net assets released from restrictions:</b>		
Use of facilities	28,545	-
Restricted trust earnings transferred to the operating trust	1,675	647
	<u>30,220</u>	<u>647</u>
<b>Total unrestricted support, revenue and net assets released from restrictions (carry forward)</b>	<u>1,435,801</u>	<u>1,480,649</u>

	1995	1994
<b>Total unrestricted support, revenue and net assets released from restrictions (carry forward)</b>	<b>1,498,031</b>	<b>1,480,649</b>
<b>Expenses</b>		
<b>Program Services:</b>		
Plant operations and maintenance	130,228	115,001
Costs related to capital assets	71,598	80,344
Dietary expense	80,500	74,600
Laundry and linen	2,412	5,800
Housekeeping	17,705	13,088
Personal client needs	8,850	9,543
Medical and nursing	26,498	23,593
Therapeutic and training	582,302	482,997
Recreational	31,440	28,136
Consultants	9,180	9,355
Educational	1,568	582
<b>Total program services</b>	<b>955,475</b>	<b>867,273</b>
<b>Support Services:</b>		
Administrative and general	314,865	277,048
Fund raising	46,991	38,429
<b>Total support services</b>	<b>361,756</b>	<b>315,477</b>
<b>Total expenses</b>	<b>1,317,231</b>	<b>1,172,750</b>
<b>Increase in Unrestricted Net Assets</b>	<b>180,799</b>	<b>307,899</b>
<b>Temporarily Restricted Net Assets</b>		
Present value of a donated lease for the use of facilities	127,307	-
Net assets released from restrictions for use of facilities	<b>(28,345)</b>	-
<b>Increase in Temporarily Restricted Net Assets</b>	<b>98,962</b>	-
<b>Permanently Restricted Net Assets</b>		
Interest and dividends earned in restricted trust	1,073	2,902
Unrealized gains in restricted trust	3,599	2,138
Restricted trust earnings transferred to operating trust	<b>(1,875)</b>	<b>(847)</b>
<b>Increase in Permanently Restricted Net Assets</b>	<b>2,897</b>	<b>4,193</b>
<b>Increase in Net Assets</b>	<b>282,544</b>	<b>312,292</b>
<b>Net Assets</b>		
Beginning of year	<b>944,569</b>	<b>832,277</b>
End of year	<b>\$1,227,113</b>	<b>\$ 1,144,569</b>

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES**

**MacDonald United Methodist Children's Service, Inc.**

For the year ended June 30, 1996

	Program Services							
	Plant Operations and Maintenance	Capital Acquis.	Travel	Lodging and Laundry	House - keeping Supplies	Personal - Cloth - Shoes	Medical and Nursing	Therapeutic and Training
Salaries	\$ 35,000	\$ -	\$ 22,070	\$ -	\$ 11,665	\$ -	\$ 20,062	\$ 69,807
Payroll taxes	2,823	-	2,133	-	1,055	-	1,697	79,964
Employee benefits	2,059	-	4,050	-	792	-	961	33,333
<b>Total salaries and related expenses</b>	<b>41,882</b>	<b>-</b>	<b>28,253</b>	<b>-</b>	<b>13,512</b>	<b>-</b>	<b>22,720</b>	<b>183,101</b>
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	2,134	-	-
Building and grounds maintenance	18,877	-	-	-	-	-	-	-
Building and grounds repair	4,576	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	1,718	-	-
Contract services	38,000	-	-	-	-	-	-	-
Depreciation - Val. Gains	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	1,788	-	-	-	-	-	-
Furniture and equipment	-	8,891	-	-	-	-	-	-
Leasehold improvements	-	20,249	-	-	-	-	-	-
Motor vehicles	-	32,677	-	-	-	-	-	-
Donated use-of facilities	-	20,943	-	-	-	-	-	-
Domestic interest	-	4,973	-	-	-	-	-	-
Fees	-	-	-	-	-	-	-	-
Furnitureless - Val. Gains	-	-	-	-	-	-	-	-
Facility/Fuel - Val. Gains	-	-	-	-	-	-	-	-
Food and Beverage	-	-	41,349	-	-	-	-	-
Food and Beverage - Val. Gains	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Val. Gains	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	333	-	-
Landed/line supplies	-	-	2,794	1,482	-	-	-	-
Licenses	-	-	-	-	-	-	-	-
Medical services	-	-	-	-	-	-	1,184	-
Medical supplies	-	-	-	-	-	-	1,764	-
Miscellaneous	-	-	-	-	-	-	-	-
Miscellaneous - Val. Gains	-	-	-	-	-	-	-	-
Motor vehicles - operation and allowances	-	-	-	-	-	-	-	-

Program Services			Support Services			
Elementary	Consular	Total	Administrative and General	Fund Raising	Total	Total
\$ 19,754	\$ -	\$ 19,754	\$ 119,036	\$ 21,812	\$ 140,848	\$ 811,078
1,000	-	48,114	11,811	1,876	13,687	43,842
1,200	-	43,313	14,863	2,757	17,620	60,155
21,954	-	71,181	145,710	30,445	205,155	914,075
8,872	-	8,871	-	-	-	8,872
-	-	-	7,688	-	7,688	7,688
-	-	2,514	-	-	-	2,514
-	-	19,877	-	-	-	19,877
-	-	6,770	-	-	-	4,599
-	-	2,738	-	-	-	2,738
-	-	14,680	-	-	-	18,000
-	-	-	-	1,349	1,349	1,349
-	-	1,288	-	-	-	1,288
-	-	9,889	-	-	-	8,009
-	-	93,239	-	-	-	28,139
-	-	12,671	-	-	-	12,671
-	-	28,542	-	-	-	28,542
-	-	4,875	-	-	-	4,875
-	-	-	2,193	-	2,193	2,193
-	-	-	-	3,800	3,800	3,800
-	-	-	-	4	4	4
-	-	44,248	-	-	-	44,248
-	-	-	-	9,871	9,871	9,871
-	-	-	31,096	-	31,096	71,096
-	-	-	-	380	380	380
-	-	710	-	-	-	711
-	-	4,638	-	-	-	4,638
-	-	-	1,204	-	1,204	1,204
-	-	1,181	-	-	-	1,181
-	-	1,764	-	-	-	1,764
-	-	-	4,347	-	4,347	4,347
-	-	-	-	573	573	573
-	-	-	5,187	-	5,187	5,187



## STATEMENT OF PROVISIONAL EXPENSES

MacDonald United Methodist Children's Services, Inc.

For the year ended June 30, 1966

## Program Services

	Plant Operations and Maintenance	Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Wards	Medical and Nursing	Therapeutic and Training
Office supplies	-	-	-	-	-	-	-	-
Office supplies - Vol. Coll.	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	1,350	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Coll.	-	-	-	-	-	-	-	-
Printing/Photo	-	-	-	-	-	-	-	-
Printing - Vol. Coll.	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatric	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	3,870	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Staff training supplies	-	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	2,000	-	2,400	-	2,400	-	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and business expenses	-	-	-	-	-	-	-	-
Utilities	21,212	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 26,112</b>	<b>\$ 76,702</b>	<b>\$ 2,400</b>	<b>\$ 2,412</b>	<b>\$ 2,400</b>	<b>\$ 2,350</b>	<b>\$ 2,650</b>	<b>\$ 54,600</b>

See notes to financial statements.

Program Services				Support Services			
Board/Staff	Direct/Indirect	Administrative	Total	Administrative and General	Fund Raising	Total	Total
-	-	-	-	6,019	-	6,019	6,019
-	-	-	-	-	56	56	56
-	-	-	1,855	-	-	-	1,855
-	-	-	-	2,215	-	2,215	2,215
-	-	-	-	-	87	87	87
-	-	-	-	1,414	-	1,414	1,414
-	-	-	-	-	2,115	2,115	2,115
-	-	-	-	9,482	-	9,482	9,482
-	9,100	-	9,100	-	-	-	9,100
-	-	-	1,050	-	-	-	1,050
-	-	1,504	1,504	-	-	-	1,504
-	-	-	-	1,077	-	1,077	1,077
-	-	-	-	50	-	50	50
-	-	-	7,940	-	-	-	7,940
-	-	-	-	2,757	-	2,757	2,757
-	-	-	-	3,488	-	3,488	3,488
-	-	-	77,125	-	-	-	77,125
\$ 71,682	\$ 9,100	\$ 1,504	\$ 82,806	\$ 209,808	\$ 46,800	\$ 256,608	\$ 1,075,241

**STATEMENT OF FUNCTIONAL EXPENSES**

**MacDonald United Methodist Children's Services, Inc.**

For the year ended June 30, 1966

Daycare Services

	Plant Operations and Maintenance	Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Care Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 30,000	\$ -	\$ 20,750	\$ -	\$ 11,487	\$ -	\$ 19,000	\$ 455,280
Payroll taxes	1,200	-	1,419	-	914	-	1,650	10,000
Employee benefits	2,500	-	3,000	-	682	-	557	20,000
<b>Total salaries and related expenses</b>	<b>34,700</b>	<b>-</b>	<b>25,169</b>	<b>-</b>	<b>12,083</b>	<b>-</b>	<b>21,207</b>	<b>485,280</b>
Amortization of assets	-	-	-	-	-	-	-	-
Advertising and supplies	-	-	-	-	-	-	-	-
Building and grounds maintenance	4,115	-	-	-	-	-	-	-
Building and grounds repair	4,899	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	1,754	-	-
Contract services	15,600	-	-	-	-	-	-	-
Decorations - Vol. Costs	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	1,500	-	-	-	-	-	-
Furniture and equipment	-	4,514	-	-	-	-	-	-
Household improvements	-	30,170	-	-	-	-	-	-
Motor vehicles	-	4,208	-	-	-	-	-	-
Destruction of facilities	-	45,000	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Costs	-	-	-	-	-	-	-	-
Facility/Plant - Vol. Costs	-	-	-	-	-	-	-	-
Fuel and beverage	-	-	41,000	-	-	-	-	-
Fuel and beverage - Vol. Costs	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Costs	-	-	-	-	-	-	-	-
Jails	-	-	-	-	-	500	-	-
Laundry/linen supplies	-	-	-	3,805	-	-	-	-
Linens	-	-	-	-	-	-	-	-
Medical services	-	-	-	-	-	-	814	-
Medical supplies	-	-	-	-	-	-	1,000	-
Miscellaneous	-	-	-	-	-	-	-	-
Miscellaneous - Vol. Costs	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	3,000	-	-
Perage	-	-	-	-	-	-	-	-
Perage - Vol. Costs	-	-	-	-	-	-	-	-
Printing/Post	-	-	-	-	-	-	-	-
Printing - Vol. Costs	-	-	-	-	-	-	-	-

Program Services				Support Services			
Instructional	Classroom	Educational	Total	Administrative and Financial	Food Printing	Total	Total
\$ 18,000	\$ -	\$ -	\$ 18,000	\$ 176,334	\$ 24,350	\$ 171,084	\$ 347,384
1,400	-	-	41,118	30,704	1,817	11,887	51,899
1,000	-	-	14,800	33,311	3,600	11,800	47,648
20,400	-	-	73,918	176,349	28,777	204,671	407,331
8,000	-	-	8,100	-	-	-	8,100
-	-	-	-	5,713	-	5,713	5,713
-	-	-	9,818	-	-	-	9,818
-	-	-	6,094	-	-	-	6,094
-	-	-	5,700	-	-	-	5,700
-	-	-	10,000	-	-	-	10,000
-	-	-	-	-	704	704	704
-	-	-	1,500	-	-	-	1,500
-	-	-	9,341	-	-	-	9,341
-	-	-	20,294	-	-	-	20,294
-	-	-	4,200	-	-	-	4,200
-	-	-	43,000	-	-	-	43,000
-	-	-	-	1,440	-	1,440	1,440
-	-	-	-	-	1,475	1,475	1,475
-	-	-	-	-	440	440	440
-	-	-	42,076	-	-	-	42,076
-	-	-	-	-	1,245	1,245	1,245
-	-	-	-	26,179	-	26,179	26,179
-	-	-	-	-	214	214	214
-	-	-	500	-	-	-	500
-	-	-	9,800	-	-	-	9,800
-	-	-	-	808	-	808	808
-	-	-	804	-	-	-	804
-	-	-	1,682	-	-	-	1,682
-	-	-	-	1,371	-	1,371	1,371
-	-	-	-	-	66	66	66
-	-	-	-	8,815	-	8,815	8,815
-	-	-	-	6,000	-	6,000	6,000
-	-	-	5,000	-	-	-	5,000
-	-	-	-	1,768	-	1,768	1,768
-	-	-	-	-	60	60	60
-	-	-	-	1,360	-	1,360	1,360
-	-	-	-	-	1,200	1,200	1,200

**STATEMENT OF FUNCTIONAL EXPENSES**

**MacKinnon United Methodist Children's Services, Inc.**

For the year ended June 30, 1995

Plan	Program Services							
	Operations and Maintenance	Capital Assets	Library	Luncheon and Liens	Home-keeping Supplies	Personal Care Aids	Medical and Nursing	Therapeutic and Training
Professional services	-	-	-	-	-	-	-	-
Psychiatric	-	-	-	-	-	-	-	-
Repairs and maintenance - Furniture and equipment	71,875	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Self training supplies	-	-	-	-	-	-	-	-
Supplies	1,643	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-
Trip and seminar expenses	-	-	-	-	-	-	-	-
Utilities	14,075	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 115,023</b>	<b>\$ 00,144</b>	<b>\$ 74,081</b>	<b>\$ 3,400</b>	<b>\$ 13,088</b>	<b>\$ 3,340</b>	<b>\$ 11,590</b>	<b>\$ 492,797</b>

See notes for financial statements.

Program Services				Support Services			
Overhead	Direct	Indirect	Total	Administrative and General	Plant Building	Total	Total
-	-	-	-	4,561	-	4,561	4,561
-	9,168	-	9,168	-	-	-	9,168
-	-	-	1,169	-	-	-	1,169
-	-	382	382	-	-	-	382
-	-	-	-	329	-	329	329
-	-	-	1,611	-	-	-	1,611
-	-	-	-	5,734	-	5,734	5,734
-	-	-	-	1,673	-	1,673	1,673
-	-	-	24,029	-	-	-	24,029
\$29,136	\$9,168	\$ 292	\$38,603	\$12,997	\$2,000	\$15,477	\$54,077

## STATEMENTS OF CASH FLOWS

Macdonell United Methodist Children's Services, Inc.

For the years ended June 30, 1996 and 1995

	1996	1995
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 282,949	\$ 312,292
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	78,008	88,244
Contributed depreciation	(33,520)	(43,068)
Gain from disposition of equipment	(1,359)	(389)
Unrealized gains on investments	(13,991)	(13,433)
(Increase) decrease in assets:		
Accounts receivable	7,712	(32,728)
Rent receivable	540	-
Prepaid insurance	(1,758)	(7,281)
Assets restricted for future years' use of facilities	(98,762)	-
Increase (decrease) in liabilities:		
Accounts payable	713	1,752
Accrued salaries and payroll taxes	(25,208)	5,378
Other liabilities	443	965
<b>Total adjustments</b>	<b>(98,285)</b>	<b>(8,282)</b>
<b>Net cash provided by operating activities</b>	<b>198,264</b>	<b>303,910</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(54,568)	(68,758)
Proceeds from sale of equipment	1,400	1,289
Purchase of operating trust investments	(26,453)	(403,459)
Purchase of endowment trust investments	(10,759)	(24,278)
Purchase of restricted trust investments	(1,073)	(2,982)
Proceeds from the transfer of restricted trust earnings	1,073	647
<b>Net cash used by investing activities</b>	<b>(89,810)</b>	<b>(297,639)</b>
<b>Net increase in cash</b>	<b>108,454</b>	<b>96,269</b>
<b>Cash</b>		
Beginning of year	168,790	72,520
End of year	<b>\$ 275,244</b>	<b>\$ 168,790</b>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MacDonell United Methodist Children's Services, Inc.

June 30, 1996 and 1995

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies:

**a) Organization**

MacDonell United Methodist Children's Services, Inc. (the Center) is the successor to the MacDonell United Methodist Children's Center which was founded by Miss Ella K. Hooper in 1919 as a French mission school. Today, the Center serves neglected children who need a group living experience. The Center provides around-the-clock care, education, Christian nurture, study and treatment for deprived, dependent children in need of care outside their own homes. The Center is licensed by the Louisiana State Department of Social Services for 36 residents.

**b) Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Non-for-Profit Organizations. Under SFAS No. 117, the Organization 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.

**c) Basis of Accounting**

Funds are accounted for using the accrual basis of accounting. Support and revenues are recognized when earned and expenses are recognized when incurred.

**d) 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



Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Use of Estimates (Continued)

and liabilities at the date of the financial statements and reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from these estimates.

e) Investments

Investments consist of current assets held in an operating trust and long-term assets held in an endowment trust and restricted trust. All investments are stated at market values established in exchange markets.

The operating and restricted trusts are included in investment pools administered by the United Methodist Foundation. The investment pools are operated using the "market value unit method". Under this method, each participant is assigned a number of units based on the relationship of the market value of all investments at the time of entry in the pool. Periodically, the pooled assets are valued. The new asset values are used to determine the number of units to be allocated to participants entering or withdrawing from the pools. Investment pool income, gains and losses are allocated based on the number of units held by each participant during the period.

The endowment trust was established by the Center's Board of Directors for the specific purpose of providing net assets to operate the Center for the benefit of the children in residence. The trust is unrestricted and is governed by an Oversight Committee of three to five members. The trust is administered by a bank trust department. The investments consist of fixed income mutual funds and equity mutual funds. The endowment trust is designated by the Board of Directors towards subsequent years' expenses and plant expansion should future funding shortfalls occur.

f) Bad Debts

The financial statements of the Center contain no allowance for bad debts. Uncollectible receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or activities of the Center.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Property and Equipment

Property and equipment are recorded at cost and are depreciated or amortized by the straight-line method over their estimated useful lives as follows:

Buildings	25 - 30 years
Land improvements	11 - 20 years
Leasehold improvements	15 - 27 years
Machinery and equipment	3 - 15 years
Furniture and fixtures	3 - 20 years
Automobiles and trucks	3 - 4 years
Equipment under capital lease	3 years

Expenses for renewals and betterments are capitalized and expenses for ordinary maintenance and repairs are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts and gains or losses thereon are included in operations. Depreciation and amortization expense for the years ended June 30, 1996 and 1995 were \$43,389 and \$37,504, respectively.

h) Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donations for the use of property with explicit restrictions on time and use are reported as restricted support based on the estimated fair value of use. It is the Center's policy to apply the time and use restrictions based on the assets' estimated fair values and estimated useful lives. Estimated fair values of property whose use had been donated as of January 1, 1973 has been determined by independent appraisal, otherwise estimated fair values are determined by donor's cost. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service or used as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

i) Restricted and Unrestricted Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Restricted and Unrestricted Support (Continued)

recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 Activities as net assets released from restrictions.

j) Donated Services and Materials

The National Division of the Board of Global Ministries of the United Methodist Church pays the "fire and extended coverage" insurance premiums and fidelity bond coverage for the Center. The donated premiums are recorded as contributions at their estimated fair value at the date of donation.

No amounts have been reflected in the financial statements for donated materials because there is no objective basis available to measure the value of such materials.

k) Compensated Absences

Full-time staff are entitled to paid vacations after one full year of employment. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year unless the agency requests an employee to postpone vacation for the good of the program. Terminating employees will be paid for unused vacation leave if leaving prior to their anniversary date. The total amount of accumulated vacation leave at June 30, 1996 and 1995 was approximately \$35,800 and \$35,800, respectively. These amounts were not accrued because it is not probable that such compensation will be paid.

Sick leave accrues at one-half day per month, or six days per year. An employee may accumulate sick leave up to a maximum of twelve days. Sick leave does not vest with the employee and, therefore, is forfeited upon termination.

l) Functional Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses in accordance with cost reporting regulations of the Louisiana Department

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l) Functional Expenses (Continued)**

of Social Services. Accordingly, certain costs have been allocated among the services and activities benefited.

**m) Income Taxes**

The Center is a non-profit organization and is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code of 1954, as amended. Therefore, no provisions for income taxes have been made.

**Note 2 - CHANGE IN ACCOUNTING PRINCIPLES**

The Center elected to adopt Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", in the fiscal year ended June 30, 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The effect of this new statement on the Center's change in net assets for 1996 was an increase of \$68,762. The increase represents a time and use restricted contribution of a lease for certain land and buildings occupied by the Center. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon the expiration of the restrictions. The effect of this new statement on the Center's net assets prior to July 1, 1995 was not significant, accordingly the Center has not adjusted net assets as of June 30, 1995.

In 1996 the Center adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Center 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 based upon or absence of donor imposed restrictions. As permitted by this new Statement, the Center has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for the years ended June 30, 1996 and 1995.

Note 3 - INVESTMENTS

Investments for the years ended June 30, 1996 and 1995 are as follows:

Investment Pool	June 30, 1996		June 30, 1995	
	Cost	Market	Cost	Market
Operating Trust:				
Investments	\$175,597	\$175,597	\$ 49,144	\$ 49,144
Uninsured cash deposit	—	—	100,000	100,000
Total operating trust	<u>175,597</u>	<u>175,597</u>	<u>149,144</u>	<u>149,144</u>
Endowment Trust:				
Cash equivalents	4,022	4,022	4,000	4,000
Mutual funds - fixed	130,002	138,712	112,238	111,539
Mutual funds - equity	<u>70,957</u>	<u>89,804</u>	<u>58,511</u>	<u>73,987</u>
Total endowment trust	<u>174,981</u>	<u>232,538</u>	<u>174,749</u>	<u>189,526</u>
Restricted Trust	<u>37,180</u>	<u>46,949</u>	<u>30,792</u>	<u>41,953</u>
Totals	<u>\$407,758</u>	<u>\$455,174</u>	<u>\$364,685</u>	<u>\$380,623</u>

The operating and restricted trusts report on a calendar year end. At December 31, 1995, the latest trust report date, investments consisted of the following:

	Operating Trust	Restricted Trust
Cash and cash equivalents	6%	8%
U. S. Government Obligations	47%	29%
Corporate stocks, bonds and mutual funds	42%	30%
Real estate and mortgage receivables	3%	33%
Totals	<u>100%</u>	<u>100%</u>

**Note 4 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets represent the present value of a lease agreement between the Center and the Women's Division of the General Board of Global Ministries of the United Methodist Church, the owner of certain land and buildings occupied by the Center. The lease restricts the use of land, the Executive Director's residence, the administration building and various cottages to a residential treatment center for children and youth for the four years ending December 31, 1999. The present value of the lease was determined by applying the time restriction to the use cost of the property, which is determined by dividing the estimated fair value, \$825,000, by the estimated useful life, 20-30 years. A discount rate of 9% was used to determine the present value.

Permanently restricted net assets consist of an investment trust, the "Restricted Trust" (Note 3) to be held indefinitely. The investment income from the trust can be used to support the Center's general activities.

**Note 5 - PROPERTY AND EQUIPMENT**

At June 30, 1996 and 1995 property and equipment consist of the following:

	<u>1996</u>	<u>1995</u>
Land and improvements	\$ 54,947	\$ 53,000
Building	45,000	45,000
Leasehold improvements	464,453	452,504
Machinery and equipment	119,593	121,717
Furniture and fixtures	69,283	63,606
Autos and trucks	<u>71,720</u>	<u>64,575</u>
	825,426	801,067
Less accumulated depreciation	<u>202,211</u>	<u>491,986</u>
Net property and equipment	<u>\$623,215</u>	<u>\$309,081</u>

**Note 6 - RETIREMENT PLAN**

A defined contribution plan is provided on a voluntary basis to the employees of the Center by the General Board of Pensions of the United Methodist Church. Under this plan, participating employees contribute three percent of their salaries to the retirement fund and the Center contributes an amount equal to six percent of the salaries of such employees. The Center's cost of the plan for the years ended June 30, 1996 and 1995 were \$32,980 and \$24,851, respectively.

**Note 7 - ECONOMIC DEPENDENCY**

The Center receives monies for reimbursement of daily child care costs. The child care reimbursement consists of state funding received through the Louisiana Department of Social Services under Title IV B (Administration for Children, Youth, and Families - Child Welfare Research and Demonstration). These payments are considered a payment for a service as opposed to a grant award. The total amounts received, net of clothing and personal needs allowances, for the years ended June 30, 1996 and 1995 were \$1,237,954 and \$1,298,217, respectively.

Reimbursements are determined based on a child-care day rate of \$105.22 per child-care day beginning September 1, 1994 through the present. For the periods July 1, 1993 through August 31, 1994 the rate was \$74.44. The allowances for clothing and personal needs included in the rate amounted \$1.00 and \$.65 per child care day, respectively, for periods beginning September 1, 1994. The rate prior to September 1, 1994 included a personal needs allowance of \$.65 per child care day. The Center maintains records on a daily basis for each child in attendance at the Center. The child-care days for the years ended June 30, 1996 and 1995 were 11,964 and 12,296, respectively.

If significant budget cuts are made at the federal and/or state level, the amount of support the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of support the Center will receive next year.

**Note 8 - CONCENTRATION OF RISK**

McDonnell United Methodist Children's Services, Inc. maintains several bank accounts at First National Bank of Houston. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at this institution exceeded Federally insured limits. The amount in excess of the FDIC limit totaled \$183,064 as of June 30, 1996.

**Note 9 - SUPPLEMENTAL CASH FLOW DISCLOSURES**

The Center did not pay income taxes for the years ended June 30, 1996 and 1995. No interest was paid during the years ended June 30, 1996 and 1995.

**SPECIAL REPORTS OF INDEPENDENT AUDITOR**





Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT STANDARDS**

To the Board of Directors,  
MacDonell United Methodist Children's Services, Inc.,  
Houma, Louisiana.

We have audited the financial statements of MacDonell United Methodist Children's Services, Inc. (the Center) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 25, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Center is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Center for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of the Center and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management and others within the organization and the State of Louisiana - Department of Social Services, Office of Community Services, Children, Youth and Family Services and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

*Bouguier Bennett, LLC.*

Certified Public Accountants.

Monroe, La.,  
September 25, 1996.



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS,  
REGULATIONS, CONTRACTS AND GRANTS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,  
MacDonell United Methodist Children's Services, Inc.,  
Houma, Louisiana.

We have audited the financial statements of MacDonell United Methodist Children's Services, Inc. (the Center) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 25, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Center, is the responsibility of the Center's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Center's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management and others within the organization and the State of Louisiana - Department of Social Services, Office of Community Services, Children, Youth and Family Services and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

*Bourgeois Bennett, LLC*

Certified Public Accountants

Houma, La.,  
September 25, 1996.

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