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Financial Report

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

Houma, Louisiana

June 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Auditor, or reviewed, orally and other appropriate public officials. The report is available for public inspection at the State House of Representatives of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/25/98

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June 30, 1997

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Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of MacDonell United Methodist Children's Services, Inc. (the Center), a nonprofit organization, as of June 30, 1997 and 1996, 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 the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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 statements 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, 1997 and 1996, 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 12, 1997, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bourgeois Bennett, LLC.

Certified Public Accountants.

Houma, La.,
September 12, 1997.

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Minority Business Enterprise

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Member: Louisiana Society of Certified Public Accountants
Member: Louisiana Institute of Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

MacDonell United Methodist Children's Services, Inc.

June 30, 1997 and 1996

	1997	1996
Assets		
Cash	\$ 166,614	\$ 273,244
Operating trust - investments	186,832	175,597
Accounts receivable, state agencies	106,391	98,700
Prepaid insurance	31,271	34,355
Assets restricted for future year's use of facilities	73,576	98,762
Endowment trust - investments	244,198	210,628
Restricted trust - investments	26,483	46,949
Property and equipment, net	378,874	320,215
Deposits	655	655
Totals	<u>\$1,234,896</u>	<u>\$1,249,105</u>
Liabilities		
Accounts payable	\$ 13,375	\$ 15,645
Accrued salaries	4,526	1,769
Payroll taxes payable	2,112	1,836
Other liabilities	1,680	2,737
Equipment financing	6,236	-
Total liabilities	<u>27,929</u>	<u>21,987</u>
Net Assets		
Unrestricted:		
Designated for subsequent year's expenses and plant expansion	244,198	210,628
Undesignated	832,708	870,779
Total unrestricted	<u>1,076,906</u>	<u>1,081,407</u>
Temporarily restricted	73,576	98,762
Permanently restricted	26,483	46,949
Total net assets	<u>1,206,967</u>	<u>1,227,118</u>
Totals	<u>\$1,234,896</u>	<u>\$1,249,105</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES

MacDonald United Methodist Children's Services, Inc.

For the years ended June 30, 1997 and 1996

	1997	1996
Unrestricted Net Assets		
Support:		
State of Louisiana - Department of Social Services	1,238,064	\$ 1,297,954
General Board of Global Ministries of the United Methodist Church	49,887	52,274
Churches and other affiliates	8,442	13,588
Contributions of individuals and other non-church affiliations	45,040	39,837
In-kind contributions, insurance	13,725	13,067
In-kind contributions, interest	8,204	4,035
Special events	29,818	49,838
	<u>1,366,179</u>	<u>1,411,428</u>
Total unrestricted support		
Revenue:		
Interest income, bank accounts	7,498	5,113
Investment income:		
Interest and dividends	29,760	20,474
Unrealized gains	51,903	10,792
Other income	39,231	20,892
	<u>67,992</u>	<u>56,271</u>
Total unrestricted revenue		
Net assets released from restrictions:		
Use of facilities	25,186	28,545
Restricted trust earnings transferred to the operating trust	-	1,675
	<u>25,186</u>	<u>30,220</u>
Total net assets released from restrictions		
Total unrestricted support, revenue and net assets released from restrictions (carry forward)	<u>1,459,370</u>	<u>1,498,011</u>

**Exhibit B
(Continued)**

	1997	1996
Total unrestricted support, revenue and net assets released from restrictions (brought forward)	1,458,378	1,408,011
Expenses		
Program Services:		
Plant operation and maintenance	128,786	130,278
Costs related to capital assets	84,350	78,985
Dietary expense	89,870	83,562
Laundry and linen	2,849	2,417
Housekeeping	25,852	17,305
Personal client needs	10,131	8,850
Medical and nursing	29,197	26,498
Therapeutic and training	675,980	582,302
Recreational	32,695	31,880
Consultants	7,800	9,100
Educational	1,620	1,908
Total program services	1,085,270	860,650
Support Services:		
Administrative and general	300,625	309,500
Fund raising	38,976	46,901
Total support services	339,601	356,401
Total expenses	1,424,871	1,217,051
Increase (Decrease) in Unrestricted Net Assets	(4,500)	180,790
Temporarily Restricted Net Assets		
Present value of a donated lease for the use of facilities	-	120,310
Net assets released from restrictions for use of facilities	(25,186)	(28,545)
Increase (Decrease) in Temporarily Restricted Net Assets	(25,186)	91,765
Permanently Restricted Net Assets		
Interest and dividends earned in restricted trust	2,699	1,073
Unrealized gains in restricted trust	6,897	3,249
Restricted trust earnings transferred to operating trust	-	(1,675)
Increase in Permanently Restricted Net Assets	9,596	2,647
Increase (Decrease) in Net Assets	(20,151)	282,591
Net Assets		
Beginning of year	1,227,118	944,501
End of year	\$1,206,967	\$1,227,118

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

MacDonald United Methodist Children's Services, Inc.

For the year ended June 30, 1997

	Program Services							
	Operations and Maintenance	Capital Assets	Debt	Leasehold and Liens	House-keeping Supplies	Personal Care Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 24,811	\$ -	\$ 10,708	\$ -	\$ 14,832	\$ -	\$ 13,396	\$ 198,914
Payroll taxes	3,838	-	1,213	-	1,181	-	1,413	44,798
Employee benefits	3,473	-	1,915	-	979	-	1,403	48,256
Total salaries and related expenses	42,122	-	13,836	-	16,992	-	16,212	291,968
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	1,541	-	-
Building and grounds maintenance	23,802	-	-	-	-	-	-	-
Building and grounds repair	4,784	-	-	-	-	-	-	-
Cleaning	-	-	-	-	-	4,834	-	-
Contract services	38,688	-	-	-	-	-	-	-
Decorations - Vol. Gals	-	-	-	-	-	-	-	-
Expansions	-	-	-	-	-	-	-	-
Building	-	1,988	-	-	-	-	-	-
Furniture and equipment	-	8,528	-	-	-	-	-	-
Landscaped improvements	-	24,833	-	-	-	-	-	-
Motor vehicles	-	11,476	-	-	-	-	-	-
Brought out of building	-	23,386	-	-	-	-	-	-
Brought in-kind	-	4,734	-	-	-	-	-	-
Fees	-	-	-	-	-	-	-	-
Entertainment - Vol. Gals	-	-	-	-	-	-	-	-
Furniture/Fuel - Vol. Gals	-	-	-	-	-	-	-	-
Food and beverages	-	-	41,878	-	-	-	-	-
Food and beverages - Vol. Gals	-	-	-	-	-	-	-	-
Interest	-	1,480	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Insurance - Vol. Gals	-	-	-	-	-	-	-	-
Jan.	-	-	-	-	-	1,534	-	-
Laundry/linen supplies	-	-	-	2,889	-	-	-	-
Linens	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	1,544	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - repairs and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Office supplies - Vol. Gals	-	-	-	-	-	-	-	-

Program Services				Support Services			
Instructional	Classroom	Instructional	Total	Administrative and Support	Food Pricing	Total	Total
\$ 21,436	\$ -	\$ -	\$ 21,437	\$ 18,000	\$ 25,856	\$ 43,856	\$ 65,293
1,871	-	-	1,871	11,884	1,008	12,892	14,763
4,362	-	-	4,362	14,341	2,400	16,741	21,103
14,269	-	-	14,269	20,225	26,264	46,489	60,754
8,106	-	-	8,106	-	-	-	8,106
-	-	-	-	5,254	-	5,254	5,254
-	-	-	1,587	-	-	-	1,587
-	-	-	10,800	-	-	-	10,800
-	-	-	4,788	-	-	-	4,788
-	-	-	4,004	-	-	-	4,004
-	-	-	20,000	-	-	-	20,000
-	-	-	-	-	1,341	1,341	1,341
-	-	-	1,000	-	-	-	1,000
-	-	-	20,528	-	-	-	20,528
-	-	-	24,833	-	-	-	24,833
-	-	-	15,476	-	-	-	15,476
-	-	-	18,180	-	-	-	18,180
-	-	-	8,134	-	-	-	8,134
-	-	-	-	2,500	-	2,500	2,500
-	-	-	-	-	600	600	600
-	-	-	-	-	200	200	200
-	-	-	47,820	-	-	-	47,820
-	-	-	-	-	1,710	1,710	1,710
-	-	-	1,494	-	-	-	1,494
-	-	-	-	20,000	-	20,000	20,000
-	-	-	-	-	100	100	100
-	-	-	1,200	-	-	-	1,200
-	-	-	2,749	-	-	-	2,749
-	-	-	-	470	-	470	470
-	-	-	1,284	-	-	-	1,284
-	-	-	-	1,800	-	1,800	1,800
-	-	-	-	4,400	-	4,400	4,400
-	-	-	-	6,210	-	6,210	6,210
-	-	-	-	-	40	40	40

STATEMENT OF FUNCTIONAL EXPENSES

Middlesex United Methodist Children's Services, Inc.

For the year ended June 30, 1993

Plan Operations and Maintenance	Program Services							
	Capital Acquis.	Facility	Locality and Loans	House- Holding Supplies	Personal (Cost Share)	Medical and Nursing	Therapies and Training	
Personal items	-	-	-	-	1,119	-	-	
Postage	-	-	-	-	-	-	-	
Postage - Tel. Calls	-	-	-	-	-	-	-	
Printing/Photo	-	-	-	-	-	-	-	
Printing - Tel. Calls	-	-	-	-	-	-	-	
Professional services	-	-	-	-	-	-	-	
Psychiatric	-	-	-	-	-	-	-	
Repairs and maintenance - furniture and equipment	5,000	-	-	-	-	-	-	
School supplies	-	-	-	-	-	-	-	
Staff training supplies	-	-	-	-	-	-	-	
Subscriptions	-	-	-	-	-	-	-	
Supplies	1,000	-	4,204	-	4,470	-	-	
Telephone	-	-	-	-	-	-	-	
Travel and conference expenses	-	-	-	-	-	-	-	
Utilities	20,000	-	-	-	-	-	-	
Total	\$ 26,000	\$ 44,200	\$ 4,204	\$ 2,500	\$ 11,053	\$ 11,053	\$ 25,000	\$ 470,000

See notes to financial statements.

Program Services				Support Services			
Receptional	Compliance	Operational	Total	Administrative and General	Food Service	Total	Total
-	-	-	3,134	-	-	-	3,134
-	-	-	-	1,624	-	2,624	2,624
-	-	-	-	-	107	107	107
-	-	-	-	3,051	-	3,051	3,051
-	-	-	-	-	95	95	95
-	-	141	141	11,683	-	11,683	11,966
-	2,800	-	2,800	-	-	-	2,800
-	-	-	5,000	-	-	-	2,800
-	-	1,001	1,001	-	-	-	1,001
-	-	-	-	891	-	891	891
-	-	-	-	40	-	40	40
-	-	-	14,500	-	-	-	14,500
-	-	-	-	4,200	-	4,200	4,200
-	-	-	-	3,020	-	3,020	3,020
-	-	-	34,495	-	-	-	14,641
\$ 32,600	\$ 2,800	\$ 1,641	\$ 1,681,029	\$ 20,640	\$ 28,795	\$ 276,640	\$ 1,485,879

STATEMENT OF FUNCTIONAL EXPENSES

McDonald's (United) Medical Children's Services, Inc.

For the year ended June 30, 1998

	Program Services							
	Plant Operations and Maintenance	Capital Assets	Diary	Laundry and Linen	House-keeping Supplies	Personal Child Meals	Medical and Nursing	Therapeutic and Training
Salaries	\$ 28,508	\$ -	\$ 28,372	\$ -	\$ 12,688	\$ -	\$ 20,862	\$ 289,677
Payroll taxes	3,823	-	3,111	-	3,005	-	1,687	28,884
Employee benefits	2,885	-	4,014	-	777	-	890	28,373
Total salaries and allowances	41,216	-	35,511	-	16,470	-	23,439	647,634
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	2,504	-	-
Building and grounds maintenance	10,857	-	-	-	-	-	-	-
Building and grounds repair	9,978	-	-	-	-	-	-	-
Childing	-	-	-	-	-	2,778	-	-
Customer services	18,659	-	-	-	-	-	-	-
Decorations - Vol. Gals	-	-	-	-	-	-	-	-
Decorations:								
Flushing	-	1,000	-	-	-	-	-	-
Furniture and equipment	-	9,000	-	-	-	-	-	-
Landscape improvements	-	28,209	-	-	-	-	-	-
Minor repairs	-	12,607	-	-	-	-	-	-
Renovated use of facilities	-	28,549	-	-	-	-	-	-
Structural interior	-	4,873	-	-	-	-	-	-
Trees	-	-	-	-	-	-	-	-
Entertainment - Vol. Gals	-	-	-	-	-	-	-	-
Facility/Facilities - Vol. Gals	-	-	-	-	-	-	-	-
Food and beverage	-	-	42,249	-	-	-	-	-
Food and Beverage - Vol. Gals	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gals	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	731	-	-
Laundry/Linen supplies	-	-	2,796	2,812	-	-	-	-
Licenses	-	-	-	-	-	-	-	-
Medical services	-	-	-	-	-	-	1,194	-
Medical supplies	-	-	-	-	-	-	1,514	-
Miscellaneous	-	-	-	-	-	-	-	-
Miscellaneous - Vol. Gals	-	-	-	-	-	-	-	-
Motor vehicles - repairs and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Office supplies - Vol. Gals	-	-	-	-	-	-	-	-

Program Services				Support Services			
Occupational	Consultant	Academy	Total	Administrative and General	Food Serving	Total	Total
\$ 18,704	\$ -	\$ -	\$ 18,704	\$ 105,026	\$ 28,812	\$ 133,838	\$ 133,838
1,683	-	-	1,683	10,695	1,876	12,571	12,571
0,533	-	-	533	34,867	2,727	37,594	37,594
21,920	-	-	21,920	150,588	33,415	184,003	184,003
6,871	-	-	6,871	-	-	-	6,871
-	-	-	-	7,688	-	7,688	7,688
-	-	-	2,534	-	-	-	2,534
-	-	-	18,827	-	-	-	18,827
-	-	-	4,978	-	-	-	4,978
-	-	-	2,728	-	-	-	2,728
-	-	-	18,688	-	-	-	18,688
-	-	-	-	-	1,389	1,389	1,389
-	-	-	1,389	-	-	-	1,389
-	-	-	9,899	-	-	-	9,899
-	-	-	26,139	-	-	-	26,139
-	-	-	12,637	-	-	-	12,637
-	-	-	18,545	-	-	-	18,545
-	-	-	6,971	-	-	-	6,971
-	-	-	-	2,383	-	2,383	2,383
-	-	-	-	-	3,688	3,688	3,688
-	-	-	-	-	4	4	4
-	-	-	44,289	-	-	-	44,289
-	-	-	-	-	9,871	9,871	9,871
-	-	-	-	13,896	-	13,896	13,896
-	-	-	-	-	388	388	388
-	-	-	700	-	-	-	700
-	-	-	4,688	-	-	-	4,688
-	-	-	-	1,384	-	1,384	1,384
-	-	-	1,384	-	-	-	1,384
-	-	-	1,384	-	-	-	1,384
-	-	-	-	4,267	-	4,267	4,267
-	-	-	-	-	370	370	370
-	-	-	-	3,387	-	3,387	3,387
-	-	-	-	6,978	-	6,978	6,978
-	-	-	-	-	38	38	38

STATEMENT OF FUNCTIONAL EXPENSES

Macdonald United Methodist Children's Services, Inc.

For the year ended June 30, 1990

	Program Services							
	Plan Operations and Maintenance	Capital Assets	Salaries	Laundry and Linen	House- keeping Supplies	General Office Supplies	Medical and Nursing	Therapeutic and Training
Deemed Item	-	-	-	-	-	1,411	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Clubs	-	-	-	-	-	-	-	-
Printing/Phone	-	-	-	-	-	-	-	-
Printing - Vol. Clubs	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance -								
Facilities and equipment	5,676	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Staff training supplies	-	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	1,898	-	1,800	-	1,498	-	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and conference expenses	-	-	-	-	-	-	-	-
Utilities	22,179	-	-	-	-	-	-	-
Total	\$ 120,228	\$ 76,982	\$ 30,240	\$ 2,400	\$ 13,798	\$ 6,659	\$ 36,694	\$ 140,500

See notes to financial statements.

Program Services				Support Services			Total
Operational	Capital	Residual	Total	Administration and General	Fleet Parking	Total	
-	-	-	3,831	-	-	-	3,831
-	-	-	-	2,290	-	2,290	2,290
-	-	-	-	-	107	107	107
-	-	-	-	1,434	-	1,434	1,434
-	-	-	-	-	2,115	2,115	2,115
-	-	-	-	9,482	-	9,482	9,482
-	9,100	-	9,100	-	-	-	9,100
-	-	-	5,079	-	-	-	5,079
-	-	1,598	1,598	-	-	-	1,598
-	-	-	-	1,871	-	1,871	1,871
-	-	-	-	78	-	78	78
-	-	-	7,448	-	-	-	7,448
-	-	-	-	1,717	-	1,717	1,717
-	-	-	-	3,480	-	3,480	3,480
-	-	-	33,238	-	-	-	33,238
\$ 10,498	\$ 9,100	\$ 1,598	\$ 294,430	\$ 149,800	\$ 46,054	\$ 256,294	\$ 1,177,244

STATEMENTS OF CASH FLOWS

MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 1997 and 1996

	1997	1996
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (50,151)	\$ 282,549
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	83,019	76,905
Contributed depreciation	(33,680)	(23,528)
Gain from disposition of equipment	-	(1,258)
Unrealized gains on investments	(18,368)	(13,891)
Decrease (increase) in assets:		
Receivables	(7,681)	8,252
Prepaid insurance	3,084	(1,758)
Assets restricted for future years' use of facilities	25,185	(98,762)
Increase (decrease) in liabilities:		
Accounts payable	(2,278)	711
Accrued salaries and payroll taxes	3,033	(79,208)
Other liabilities	(1,857)	433
Total adjustments	31,223	(98,285)
Net cash provided by operating activities	31,074	194,264
Cash Flows from Investing Activities		
Purchase of equipment	(99,271)	(54,540)
Proceeds from sale of equipment	-	1,482
Purchase of operating trust investments	(11,235)	(26,455)
Purchase of endowment trust investments	(21,865)	103,799
Purchase of restricted trust investments	(2,895)	(1,013)
Proceeds from the transfer of restricted trust earnings	-	1,675
Net cash used by investing activities	(135,266)	(69,811)
Cash Flows from Financing Activities		
Payments on equipment financing lease	(2,384)	-
Net increase (decrease) in cash	(106,576)	104,454
Cash		
Beginning of year	273,244	168,790
End of year	\$ 166,668	\$ 273,244
Supplemental Disclosures		
Interest paid	\$ 1,491	\$ -

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**MacDonell United Methodist Children's Services, Inc.**

June 30, 1997 and 1996

Note 1 - SUMMARY OF 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 35 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 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.

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) 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 reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

f) 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 to 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.

g) 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 change in net assets.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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
Autos and trucks	3 - 6 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, 1997 and 1996 were \$49,399 and \$43,385, respectively.

l) 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, 1975 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.

m) 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 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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Restricted and Unrestricted Support (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 Activities as net assets released from restrictions.

k) Donated Services and Materials

The National Division of the Board of Global Ministries of the United Methodist Church pays the "Trio and extended coverage" insurance premium and fidelity bond coverage for the Center. The donated premiums are recorded as contributions at their estimated fair values 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. However, for the years ended June 30, 1997 and 1996, the Center placed a value of approximately \$45,000 and \$70,000 respectively, on these donations for record keeping.

l) Compensated Absence

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, 1997 and 1996 was approximately \$44,715 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.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) 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 - INVESTMENTS

Investments for the years ended June 30, 1997 and 1998 are as follows:

Investment Pool	June 30, 1997		June 30, 1998	
	Cost	Market	Cost	Market
Operating Trust	\$186,832	\$186,832	\$175,597	\$175,597
Endowment Trust:				
Cash equivalents	4,293	4,293	4,822	4,822
Mutual funds - fixed	123,644	124,960	120,882	116,717
Mutual funds - equity	99,346	114,542	70,887	89,894
Total endowment trust	227,283	244,198	196,591	211,629
Restricted Trust	39,829	56,482	37,190	46,949
Totals	\$453,944	\$487,515	\$409,278	\$435,179

During the year ended June 30, 1997, the bank trustee merged the investment pools of the operating and restricted trusts. While the administrator, the United Methodist Foundation, maintains separate accounting for the operating and restricted trusts, the merged investment pool at December 31, 1998, the latest trust report date, consisted of the following:

Cash and cash equivalents	1.0%
Fixed income securities	51.8%
Equities	23.8%
Real estate and mortgage receivables	23.0%
Total	100.0%

Note 3 - 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 2) to be held indefinitely. The investment income from the trust can be used to support the Center's general activities.

Note 4 - PROPERTY AND EQUIPMENT

At June 30, 1997 and 1996 property and equipment consist of the following:

	<u>1997</u>	<u>1996</u>
Land and improvements	\$ 54,947	\$ 54,947
Building	48,000	48,000
Leasehold improvements	554,421	466,453
Machinery and equipment	137,404	119,893
Furniture and fixtures	68,109	69,283
Autom and trucks	<u>71,350</u>	<u>71,350</u>
	932,661	825,426
Less accumulated depreciation	<u>553,787</u>	<u>388,211</u>
Net property and equipment	\$378,874	\$437,215

Note 5 - CAPITAL LEASE

In July 1996, the Center entered a financing agreement for the acquisition of an office copier through a lease requiring monthly payments of \$323. The lease was accounted for as a capital lease and accordingly, the purchase price, \$8,627, was recorded in the Center's fixed assets.

Note 5 - CAPITAL LEASE (Continued)

The following is a schedule of future minimum payments required under the lease together with the present value as of June 30, 1997:

<u>Year Ending</u> <u>June 30,</u>	
1998	\$3,882
1999	<u>3,882</u>
Total minimum lease payments	7,764
Less amount representing interest	<u>1,528</u>
Present value of minimum lease payments	<u>\$6,236</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, 1997 and 1996 were \$39,034 and \$32,980, 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, 1997 and 1996 were \$1,211,149 and \$1,237,994, respectively.

Reimbursements are determined based on a child-care day rate of \$169.22 per child-care day. The allowances for clothing and personal needs included in the rate amounted \$1.10 and \$8.65 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, 1997 and 1996 were 11,784 and 11,964, respectively.

Note 7 - ECONOMIC DEPENDENCY (Continued)

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 in the next fiscal year.

Note 8 - CONCENTRATION OF RISK

MacDonald 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 \$61,200 as of June 30, 1997.

Note 9 - SUPPLEMENTAL CASH FLOW DISCLOSURES

The acquisition of the office copier financed through the capital lease did not require the use of cash and, accordingly, is excluded from the Statement of Cash Flows for the year ended June 30, 1997.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Biographic Bennett

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

To the Board of Directors,
MacDonell United Methodist Children's Services, Inc.,
Hosmer, 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, 1997, and have issued our report thereon dated September 12, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center'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 these 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 Center'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 operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, LLC

Certified Public Accountants

Hoama, La.,
September 12, 1997.



Bourgeois Bennett

COMMUNICATIONS WITH BOARD OF DIRECTORS

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

In fulfilling our responsibility as MacDonell United Methodist Children's Services, Inc. auditors for the year ended June 30, 1997, we are required to communicate to the Board of Directors certain matters related to the conduct of our audit.

1) AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

Our audit was conducted 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 which require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatements.

As required, a separate letter has been issued on internal control and compliance with laws and regulations.

2) SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described in Note 1 to the financial statements. No new accounting policies were adopted nor required to be adopted for the year ended June 30, 1997.

3) MANAGEMENT JUDGEMENTS AND ACCOUNTING ESTIMATES

The most significant estimates reflected in the financial statements relate to the collectibility of accounts receivable and the valuation and useful lives of property and equipment. Management has provided us with representations concerning these matters.

4) SIGNIFICANT AUDIT ADJUSTMENTS

Adjustments were made to realize the market of investments. All significant adjustments were made and copies of supporting workpapers have been furnished to management.

To the Board of Directors,
MacDonell United Methodist Children's Services, Inc.
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This information is intended solely for the use of the Audit Committee, Board of Directors, management of MacDonell United Methodist Children's Services, Inc. and should not be used for any other purpose.

Bourgeois Bennett, LLC

Certified Public Accountants

Houma, La.,
September 12, 1997.