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***Financial Report***

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

***Houma, Louisiana***

***June 30, 1998***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 NOV 10 1998

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June 30, 1998

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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, 1998 and 1997, 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. Those 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, 1998 and 1997, 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 August 20, 1998, 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, L.L.C.*

Certified Public Accountants.

Houma, La.,  
August 20, 1998.

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

June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>Assets</b>		
Cash	\$ 145,350	\$ 166,614
Operating trust - investments	198,786	186,832
Accounts receivable, state agencies	124,299	106,391
Prepaid insurance	20,393	21,271
Assets restricted for future years' use of facilities	46,073	73,576
Endowment trust - investments	320,419	244,198
Restricted trust - investments	67,119	56,485
Property and equipment, net	380,727	378,874
Deposits	457	655
	<u>\$ 1,303,623</u>	<u>\$ 1,234,896</u>
<b>Totals</b>		
<b>Liabilities</b>		
Accounts payable	\$ 14,520	\$ 13,375
Accrued salaries	7,317	4,526
Payroll taxes payable	1,729	2,112
Other liabilities	2,165	1,680
Equipment financing	3,456	6,236
	<u>29,187</u>	<u>27,929</u>
<b>Total liabilities</b>		
<b>Net Assets</b>		
Unrestricted:		
Designated for subsequent years' expenses and plant expansion	320,419	244,198
Undesignated	840,825	832,708
	<u>1,161,244</u>	<u>1,076,906</u>
<b>Total unrestricted</b>		
Temporarily restricted	46,073	73,576
Permanently restricted	67,119	56,485
	<u>1,274,436</u>	<u>1,206,967</u>
<b>Total net assets</b>		
<b>Totals</b>	<u>\$ 1,303,623</u>	<u>\$ 1,234,896</u>

See notes to financial statements.

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

For the years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>Unrestricted Net Assets</b>		
Support:		
State of Louisiana - Department of Social Services	\$ 1,269,696	\$ 1,211,014
General Board of Global Ministries of the United Methodist Church	61,454	49,807
Churches and other affiliates	10,105	8,462
Contributions of individuals and other non-church affiliations	109,958	45,040
In-kind contributions, insurance	13,279	13,725
In-kind contributions, interest	6,017	8,334
Special events	18,299	29,810
	<u>1,488,808</u>	<u>1,366,192</u>
Total unrestricted support		
Revenue:		
Interest income, bank accounts	1,982	7,498
Investment income:		
Interest and dividends	32,822	29,760
Unrealized gains	20,570	11,503
Other income	17,784	19,231
	<u>73,158</u>	<u>67,992</u>
Total unrestricted revenue		
Net assets released from restrictions:		
Use of facilities	27,503	25,186
	<u>27,503</u>	<u>25,186</u>
Total unrestricted support, revenue and net assets released from restrictions (carry forward)	<u>1,589,469</u>	<u>1,459,370</u>

**Exhibit B  
(Continued)**

	1998	1997
Total unrestricted support, revenue and net assets released from restrictions (brought forward)	1,589,469	1,459,370
<b>Expenses</b>		
Program Services:		
Plant operation and maintenance	131,903	128,796
Costs related to capital assets	82,476	84,350
Dietary expense	88,335	89,070
Laundry and linen	2,711	2,949
Housekeeping	22,042	23,052
Personal client needs	7,065	10,131
Medical and nursing	30,403	29,197
Therapeutic and training	704,608	675,580
Recreational	36,763	32,695
Consultants	9,000	7,800
Educational	1,838	1,650
Total program services	1,117,144	1,085,270
Support Services:		
Administrative and general	348,142	339,625
Fund raising	39,845	38,976
Total support services	387,987	378,601
Total expenses	1,505,131	1,463,871
<b>Increase (Decrease) in Unrestricted Net Assets</b>	84,338	(4,501)
<b>Temporarily Restricted Net Assets</b>		
Net assets released from restrictions for use of facilities	(27,503)	(25,186)
<b>Permanently Restricted Net Assets</b>		
Interest and dividends earned in restricted trust	1,749	2,639
Unrealized gains in restricted trust	8,885	6,897
<b>Increase in Permanently Restricted Net Assets</b>	10,634	9,536
<b>Increase (Decrease) in Net Assets</b>	67,469	(20,151)
<b>Net Assets</b>		
Beginning of year	1,206,967	1,227,118
End of year	\$ 1,274,436	\$ 1,206,967

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES**

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

For the year ended June 30, 1998

	Program Services							
	Plant Operations and Maintenance	Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 41,818	\$ -	\$ 32,641	\$ -	\$ 15,987	\$ -	\$ 24,971	\$ 612,608
Payroll taxes	3,154	-	2,348	-	1,242	-	1,916	45,691
Employee benefits	3,540	-	4,061	-	955	-	1,473	46,309
<b>Total salaries and related expenses</b>	<b>48,512</b>	<b>-</b>	<b>39,050</b>	<b>-</b>	<b>18,184</b>	<b>-</b>	<b>28,360</b>	<b>704,608</b>
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	1,481	-	-
Building and grounds maintenance	10,318	-	-	-	-	-	-	-
Building and grounds repair	8,558	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	2,287	-	-
Contract services	18,600	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-	-	-
Building	-	1,776	-	-	-	-	-	-
Furniture and equipment	-	10,765	-	-	-	-	-	-
Leasehold improvements	-	21,574	-	-	-	-	-	-
Motor vehicles	-	13,740	-	-	-	-	-	-
Donated use of facilities	-	27,503	-	-	-	-	-	-
Donated interest	-	6,016	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Facility/Prod - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	46,222	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Interest	-	1,102	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	38	-	-
Laundry/Linen supplies	-	-	-	2,711	-	-	-	-
Licenses	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	2,043	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Office supplies - Vol. Gala	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	3,259	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/Photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	3,935	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Staff training supplies	-	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	3,407	-	3,063	-	3,858	-	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	38,573	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 131,903</b>	<b>\$ 82,476</b>	<b>\$ 88,335</b>	<b>\$ 2,711</b>	<b>\$ 22,042</b>	<b>\$ 7,065</b>	<b>\$ 30,403</b>	<b>\$ 704,608</b>

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 23,787	\$ -	\$ -	\$ 751,812	\$ 201,114	\$ 26,390	\$ 227,504	\$ 979,316
2,026	-	-	56,377	13,502	2,070	15,572	71,949
1,864	-	-	58,202	15,574	934	16,508	74,710
27,677	-	-	866,391	230,190	29,394	259,584	1,125,975
9,086	-	-	9,086	-	-	-	9,086
-	-	-	-	3,818	-	3,818	3,818
-	-	-	1,481	-	-	-	1,481
-	-	-	10,318	-	-	-	10,318
-	-	-	8,558	-	-	-	8,558
-	-	-	2,287	-	-	-	2,287
-	-	-	18,600	-	-	-	18,600
-	-	-	-	-	1,132	1,132	1,132
-	-	-	1,776	-	-	-	1,776
-	-	-	10,765	-	-	-	10,765
-	-	-	21,574	-	-	-	21,574
-	-	-	13,740	-	-	-	13,740
-	-	-	27,503	-	-	-	27,503
-	-	-	6,016	-	-	-	6,016
-	-	-	-	2,448	-	2,448	2,448
-	-	-	-	-	600	600	600
-	-	-	-	-	205	205	205
-	-	-	46,222	-	-	-	46,222
-	-	-	-	-	6,061	6,061	6,061
-	-	-	1,102	-	-	-	1,102
-	-	-	-	74,985	-	74,985	74,985
-	-	-	-	-	191	191	191
-	-	-	38	-	-	-	38
-	-	-	2,711	-	-	-	2,711
-	-	-	-	66	-	66	66
-	-	-	2,043	-	-	-	2,043
-	-	-	-	2,251	-	2,251	2,251
-	-	-	-	4,679	917	5,596	5,596
-	-	-	-	5,284	-	5,284	5,284
-	-	-	-	-	80	80	80
-	-	-	3,259	-	-	-	3,259
-	-	-	-	2,519	-	2,519	2,519
-	-	-	-	-	113	113	113
-	-	-	-	1,335	-	1,335	1,335
-	-	-	-	-	1,152	1,152	1,152
-	-	100	100	11,409	-	11,409	11,509
-	9,000	-	9,000	-	-	-	9,000
-	-	-	3,935	-	-	-	3,935
-	-	1,738	1,738	-	-	-	1,738
-	-	-	-	654	-	654	654
-	-	-	-	114	-	114	114
-	-	-	10,328	-	-	-	10,328
-	-	-	-	6,193	-	6,193	6,193
-	-	-	-	2,197	-	2,197	2,197
-	-	-	38,573	-	-	-	38,573
<u>\$ 36,763</u>	<u>\$ 9,000</u>	<u>\$ 1,838</u>	<u>\$ 1,117,144</u>	<u>\$ 348,142</u>	<u>\$ 39,845</u>	<u>\$ 387,987</u>	<u>\$ 1,505,131</u>



**STATEMENT OF FUNCTIONAL EXPENSES**

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

For the year ended June 30, 1997

Program Services

	Plant Operations and Maintenance	Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 39,911	\$ -	\$ 30,798	\$ -	\$ 14,552	\$ -	\$ 23,396	\$ 590,994
Payroll taxes	3,038	-	2,223	-	1,151	-	1,812	44,380
Employee benefits	3,472	-	3,925	-	870	-	1,405	40,206
<b>Total salaries and related expenses</b>	<b>46,421</b>	<b>-</b>	<b>36,946</b>	<b>-</b>	<b>16,573</b>	<b>-</b>	<b>26,613</b>	<b>675,580</b>
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	1,547	-	-
Building and grounds maintenance	15,052	-	-	-	-	-	-	-
Building and grounds repair	4,784	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	4,034	-	-
Contract services	18,600	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	1,500	-	-	-	-	-	-
Furniture and equipment	-	10,528	-	-	-	-	-	-
Leasehold improvements	-	19,835	-	-	-	-	-	-
Motor vehicles	-	17,476	-	-	-	-	-	-
Donated use of facilities	-	25,186	-	-	-	-	-	-
Donated interest	-	8,334	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Facility/Prod - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	47,870	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Interest	-	1,491	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	1,231	-	-
Laundry/Linen supplies	-	-	-	2,949	-	-	-	-
Licenses	-	-	-	-	-	-	2,584	-
Medical supplies	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Office supplies - Vol. Gala	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	3,319	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/Photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	5,901	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Staff training supplies	-	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	3,596	-	4,254	-	6,479	-	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	34,442	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 128,796</b>	<b>\$ 84,350</b>	<b>\$ 89,070</b>	<b>\$ 2,949</b>	<b>\$ 23,052</b>	<b>\$ 10,131</b>	<b>\$ 29,197</b>	<b>\$ 675,580</b>

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 21,416	\$ -	\$ -	\$ 721,067	\$ 180,058	\$ 25,836	\$ 205,894	\$ 926,961
1,671	-	-	54,275	12,684	1,934	14,618	68,893
1,282	-	-	51,160	14,345	2,435	16,780	67,940
24,369	-	-	826,502	207,087	30,205	237,292	1,063,794
8,326	-	-	8,326	-	-	-	8,326
-	-	-	-	5,251	-	5,251	5,251
-	-	-	1,547	-	-	-	1,547
-	-	-	15,052	-	-	-	15,052
-	-	-	4,784	-	-	-	4,784
-	-	-	4,034	-	-	-	4,034
-	-	-	18,600	-	-	-	18,600
-	-	-	-	-	1,347	1,347	1,347
-	-	-	1,500	-	-	-	1,500
-	-	-	10,528	-	-	-	10,528
-	-	-	19,835	-	-	-	19,835
-	-	-	17,476	-	-	-	17,476
-	-	-	25,186	-	-	-	25,186
-	-	-	8,334	-	-	-	8,334
-	-	-	-	2,330	-	2,330	2,330
-	-	-	-	-	600	600	600
-	-	-	-	-	255	255	255
-	-	-	47,870	-	-	-	47,870
-	-	-	-	-	5,270	5,270	5,270
-	-	-	1,491	-	-	-	1,491
-	-	-	-	80,859	-	80,859	80,859
-	-	-	-	-	191	191	191
-	-	-	1,231	-	-	-	1,231
-	-	-	2,949	-	-	-	2,949
-	-	-	-	670	-	670	670
-	-	-	2,584	-	-	-	2,584
-	-	-	-	1,806	-	1,806	1,806
-	-	-	-	4,403	-	4,403	4,403
-	-	-	-	6,913	-	6,913	6,913
-	-	-	-	-	65	65	65
-	-	-	3,319	-	-	-	3,319
-	-	-	-	2,639	-	2,639	2,639
-	-	-	-	-	127	127	127
-	-	-	-	3,053	-	3,053	3,053
-	-	-	-	-	916	916	916
-	-	143	143	13,653	-	13,653	13,796
-	7,800	-	7,800	-	-	-	7,800
-	-	-	5,901	-	-	-	5,901
-	-	1,507	1,507	-	-	-	1,507
-	-	-	-	891	-	891	891
-	-	-	-	40	-	40	40
-	-	-	14,329	-	-	-	14,329
-	-	-	-	6,509	-	6,509	6,509
-	-	-	-	3,521	-	3,521	3,521
-	-	-	34,442	-	-	-	34,442
<u>\$ 32,695</u>	<u>\$ 7,800</u>	<u>\$ 1,650</u>	<u>\$ 1,085,270</u>	<u>\$ 339,625</u>	<u>\$ 38,976</u>	<u>\$ 378,601</u>	<u>\$ 1,463,871</u>

**STATEMENTS OF CASH FLOWS****McDonell United Methodist Children's Services, Inc.**

For the years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 67,469	\$ (20,151)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	80,183	82,019
Contributed depreciation	(32,328)	(32,680)
Gain from disposition of equipment	719	-
Unrealized gains on investments	(29,455)	(18,399)
Decrease (increase) in assets:		
Receivables	(17,908)	(7,691)
Prepaid insurance	878	3,084
Assets restricted for future years' use of facilities	27,503	25,186
Deposits	198	-
Increase (decrease) in liabilities:		
Accounts payable	1,145	(2,270)
Accrued salaries and payroll taxes	2,408	3,033
Other liabilities	485	(1,057)
Total adjustments	<u>33,828</u>	<u>51,225</u>
Net cash provided by operating activities	<u>101,297</u>	<u>31,074</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(50,427)	(99,371)
Purchase of operating trust investments	(11,954)	(11,235)
Purchase of endowment trust investments	(55,651)	(22,068)
Purchase of restricted trust investments	(1,749)	(2,639)
Net cash used by investing activities	<u>(119,781)</u>	<u>(135,313)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on equipment financing lease	(2,780)	(2,391)
Net decrease in cash	(21,264)	(106,630)
<b>Cash</b>		
Beginning of year	166,614	273,244
End of year	<u>\$ 145,350</u>	<u>\$ 166,614</u>
<b>Supplemental Disclosures</b>		
Interest paid	<u>\$ 1,102</u>	<u>\$ 1,491</u>

See notes to financial statements.

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

June 30, 1998 and 1997

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

**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)**

**h) 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, 1998 and 1997 were \$47,855 and \$49,339, respectively.

**i) 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.

**j) 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)**

**j) 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 "fire 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, 1998 and 1997, the Center placed a value of approximately \$26,558 and \$45,000 respectively, on these donations for record keeping.

**l) 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, 1998 and 1997 was approximately \$50,444 and \$44,715, 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 benefitted.

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

**n) 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. Therefore, no provisions for income taxes have been made.

**Note 2 - INVESTMENTS**

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

<u>Investment Pool</u>	<u>June 30, 1998</u>		<u>June 30, 1997</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Operating Trust	<u>\$198,786</u>	<u>\$198,786</u>	<u>\$186,832</u>	<u>\$186,832</u>
Endowment Trust:				
Cash equivalents	3,120	3,120	4,293	4,293
Mutual funds - fixed	158,640	162,728	123,644	124,960
Mutual funds - equity	<u>123,937</u>	<u>154,571</u>	<u>99,346</u>	<u>114,945</u>
Total endowment trust	<u>285,697</u>	<u>320,419</u>	<u>227,283</u>	<u>244,198</u>
Restricted Trust	<u>41,578</u>	<u>67,119</u>	<u>39,829</u>	<u>56,485</u>
Totals	<u>\$526,061</u>	<u>\$586,324</u>	<u>\$453,944</u>	<u>\$487,515</u>

During the year ended June 30, 1998, 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, 1997, the latest trust report date, consisted of the following:

Cash and cash equivalents	1.0%
Fixed income securities	45.0%
Equities	46.0%
Real estate and mortgage receivables	<u>8.0%</u>
Total	<u>100.0%</u>



**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, 1998 and 1997 property and equipment consist of the following:

	<u>1998</u>	<u>1997</u>
Land and improvements	\$ 56,073	\$ 54,947
Building	48,006	45,000
Leasehold improvements	591,111	554,421
Machinery and equipment	142,566	137,434
Furniture and fixtures	69,657	69,109
Autos and trucks	<u>71,750</u>	<u>71,750</u>
	979,163	932,661
Less accumulated depreciation	<u>598,436</u>	<u>553,787</u>
 Net property and equipment	 <u>\$380,727</u>	 <u>\$378,874</u>

**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. Accumulated depreciation and depreciation expense recorded for the copier are \$3,451 and \$1,725 respectively as of June 30, 1998.

**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, 1998:

<u>Year Ending</u> <u>June 30,</u>	
1999	<u>\$3,882</u>
Total minimum lease payments	3,882
Less amount representing interest	<u>425</u>
Present value of minimum lease payments	<u>\$3,457</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, 1998 and 1997 were \$47,202 and \$39,034, 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 and E (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, 1998 and 1997 were \$1,264,280 and \$1,211,149, respectively.

Reimbursements are determined based on a child-care day rate of \$105.22 per child-care day through August 31, 1997 and 110.81 per child-care day from September 1, 1997. The allowances for clothing and personal needs included in the rate amounted \$1.10 and \$.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, 1998 and 1997 were 11,737 and 11,704, 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**

MacDonell United Methodist Children's Services, Inc. maintains several bank accounts at Whitney National Bank. 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 \$57,620 as of June 30, 1998.

**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, 1998.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois 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.,  
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, 1998, and have issued our report thereon dated August 20, 1998. 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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, L.L.C.*

Certified Public Accountants.

Houma, La.,  
August 20, 1998.

## SCHEDULE OF FINDINGS

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

For the year ended June 30, 1998

#### **Section I Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes     X  no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes     X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes     X  no

##### **b) Federal Awards**

MacDonell United Methodist Children's Services, Inc. did not receive federal awards during the year ended June 30, 1998.

#### **Section II Financial Statement Findings**

No financial statement findings were noted for the year ended June 30, 1998.

#### **Section III Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**



## **SCHEDULE OF PRIOR YEAR FINDINGS**

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

For the year ended June 30, 1998

#### **Section I Internal Control and Compliance Material to the Statements of Financial Position**

##### **Internal Control**

No material weaknesses were reported for the year ended June 30, 1997.  
No reportable conditions were reported for the year ended June 30, 1997.

##### **Compliance**

No compliance findings material to the statements of financial position were noted during the year ended June 30, 1997.

#### **Section II Internal Control and Compliance Material to Federal Awards**

MacDonell United Methodist Children's Services, Inc. did not receive federal awards during the year ended June 30, 1997.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 1997.

# **MANAGEMENT'S CORRECTIVE ACTION PLAN**

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

For the year ended June 30, 1998

## **Section I Internal Control and Compliance Material to the Statements of Financial Position**

### **Internal Control**

No material weaknesses were reported for the year ended June 30, 1998.

No reportable conditions were reported for the year ended June 30, 1998.

### **Compliance**

No compliance findings material to the statements of financial position were noted during the year ended June 30, 1998.

## **Section II Internal Control and Compliance Material to Federal Awards**

*MacDonell United Methodist Children's Services, Inc. did not receive federal awards during the year ended June 30, 1998.*

## **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 1998.