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FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT

THE METHODIST HOME FOR CHILDREN
NEW ORLEANS, LOUISIANA

JUNE 30, 1999

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 2-2-00

THE METHODIST HOME FOR CHILDREN
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JUNE 30, 1999

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Ruth Taylor Ramsey

CERTIFIED PUBLIC ACCOUNTANT

September 9, 1999

The Board of Directors
The Methodist Home For Children
New Orleans, Louisiana

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of The Methodist Home For Children as of June 30, 1999, and the related statements of activities and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of The Methodist Home For Children's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards adopted by the American Institute of Certified Public Accountants; Government Auditing Standards, issued by the United States Comptroller General; and the applicable provisions of Office of Management and Budget's Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Methodist Home For Children as of June 30, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated September 9, 1999, on my consideration of The Methodist Home For Children's internal control structure and a report dated September 9, 1999, on its compliance with laws and regulations.

Ruth Taylor Ramsey

Ruth Taylor Ramsey

CERTIFIED PUBLIC ACCOUNTANT

September 9, 1999

The Board of Directors
The Methodist Home For Children
New Orleans, Louisiana

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL STRUCTURE

I have audited the financial statements of The Methodist Home For Children for the year ended June 30, 1999, and have issued my report thereon dated September 9, 1999.

I conducted my audit in accordance with generally accepted auditing standards adopted by the American Institute of Certified Public Accountants; Government Auditing Standards, issued by the United States Comptroller General; and the applicable provisions of Office of Management and Budget's Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of The Methodist Home For Children 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 my audit of the financial statements of The Methodist Home For Children for the year ended June 30, 1999, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could

The Board of Directors
September 9, 1999
Page 2

adversely affect the organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

The reportable conditions noted are as follows:

- I. Failures in the operation of the internal control structure. Evidence of failure to perform tasks that are part of the internal control structure. Accounts receivable is not being properly monitored, reviewed, or collected.
- II. Failure to follow up and correct previously identified operation of the internal control structure.

A material weakness is a reportable condition which the design or operation of the specific 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

In connection with the audit, I reviewed the prior year's reportable conditions on the internal control structure, including applicable internal administrative controls to determine whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of my review indicate that management efforts in taking appropriate corrective action with respect to a prior year finding as described in the Schedule of Prior Reportable Conditions have been ineffective.

This report is intended for the information of the Board of Directors, management, and the State of Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Ruth Taylor Ramsey
Certified Public Accountant

Ruth Taylor Ramsey

CERTIFIED PUBLIC ACCOUNTANT

September 9, 1999

The Board of Directors
The Methodist Home For Children
New Orleans, Louisiana

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

I have audited the financial statements of The Methodist Home For Children for the year ended June 30, 1999, and have issued my report thereon dated September 9, 1999.

I conducted my audit in accordance with generally accepted auditing standards adopted by the American Institute of Certified Public Accountants; Government Auditing Standards, issued by the United States Comptroller General; and the applicable provisions of Office of Management and Budget's Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the financial statement are free of material misstatement.

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

The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management, and the State of Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Ruth Taylor Ramsey

THE METHODIST HOME FOR CHILDREN
SCHEDULE OF PRIOR REPORTABLE CONDITIONS
FOR THE YEAR ENDED JUNE 30, 1999

The prior audit report, for the year ended June 30, 1998, contained reportable conditions. The following is a status of those findings:

Failures in the operation of the internal control structure. Evidence of failure to perform tasks that are part of the internal control structure. Accounts receivable is not being properly monitored, reviewed, or collected.

Turnover in the accounting staff and misinformation given to management has caused the efforts of accounts receivable collections to be ineffective. Accounts receivable should be closely monitored and researched for uncollectible amounts.

Failure to follow up and correct previously identified deficiency in operation of the internal control structure.

The previously identified deficiency in operation of the internal control structure has been addressed by hiring an outside consultant to evaluate and adjust accounts receivable and by hiring a new business manager with greater accounting acumen and experience than that of the previous business manager.

THE METHODIST HOME FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1999

Assets	
Cash	\$ 174,889
Investments (Note 2)	1,302,698
Accounts receivable, net (Note 10)	350,039
Receivable/other	5,042
Prepaid insurance	13,677
Property Arcadia, La	<u>500</u>
	1,846,845
Land, buildings and equipment, net (Note 4)	<u>1,452,168</u>
Total assets	<u>\$3,299,013</u>
Liabilities	
Accounts payable	\$ 189,162
Payroll taxes payable	2,903
Accrued salaries and expenses	50,972
Notes payable bank (Note 8)	97,085
Current portion of long-term debt (Note 8)	<u>27,301</u>
	367,423
Long-term debt, net of current portion (Note 8)	<u>438,292</u>
Total liabilities	<u>805,715</u>
Net assets	
Unrestricted	2,483,611
Temporarily restricted (Note 11)	9,687
Permanently restricted	<u> </u>
Total net assets	<u>2,493,298</u>
Total liabilities and net assets	<u>\$3,299,013</u>

The accompanying notes are an integral part of these financial statements.

THE METHODIST HOME FOR CHILDREN
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1999

UNRESTRICTED NET ASSETS

Unrestricted Support and Revenue	
Donations, gifts and bequests	\$ 324,481
Investment income (Note 2)	153,338
Charitable trust income (Note 7)	16,519
Other interest	5,538
Other income	488
	<u>500,364</u>
Fees from governmental agencies:	
Private agency foster care program	280,455
Therapeutic foster care program	1,073,642
Severe intervention program	673,613
Moderate intervention program	874,628
Group home program	176,183
	<u>3,078,521</u>
	<u>3,578,885</u>
Net assets released from restrictions	
Restrictions satisfied by payments (Note 12)	4,500
	<u>3,583,385</u>
Expenses	
Private agency foster care program	249,965
Therapeutic foster care program	877,512
Severe intervention program	634,471
Moderate intervention program	1,141,048
Group home program	242,919
Administrative and general	478,362
	<u>3,624,277</u>
	<u>(40,892)</u>
Changes in unrestricted net assets	
TEMPORARILY RESTRICTED NET ASSETS	
Contributions (Note 11)	6,187
Net assets released from restrictions	
Restrictions satisfied by payments (Note 12)	<u>(4,500)</u>
Changes in temporarily restricted net assets	1,687
Changes in permanently restricted net assets	
Changes in net assets	<u>(39,205)</u>
Net assets at beginning of year	<u>2,532,503</u>
Net assets at end of year	<u>\$2,493,298</u>

The accompanying notes are an integral part of these financial statements.

THE METHODIST HOME FOR CHILDREN
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1999

Cash flows from operating activities	
Change in net assets	\$(39,205)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	89,052
Changes in operating assets and liabilities	
Accounts receivable	(8,230)
Receivables-estate/insurance	96,633
Prepaid insurance	1,772
Accounts payable	29,558
Accrued salaries and expenses	<u>17,116</u>
Net cash provided by operating activities	<u>186,696</u>
Cash flows from investing activities	
Decrease in investments	100,434
Purchase of property and equipment	(445,116)
Property held for sale	<u>(500)</u>
Net cash used in investing activities	<u>(345,182)</u>
Cash flows from financing activities	
Proceeds from short-term borrowing	97,085
Decrease in long-term borrowing	<u>(6,198)</u>
Net cash provided by financing activities	<u>90,887</u>
Net decrease in cash and cash equivalents	(67,599)
Cash and cash equivalents at beginning of year	<u>242,488</u>
Cash and cash equivalents at end of year	<u>\$174,889</u>
Supplemental data	
Interest paid	<u>\$ 30,782</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Methodist Home For Children (the Home) is chartered in the state of Louisiana as a not-for-profit organization without capital stock, which is classified as one that is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code because it is an organization described in section 170(b)(1)(A)(vi) which normally receives a substantial part of its support from direct or indirect contributions from the general public. The Home operates a residential treatment facility located in New Orleans, Louisiana, providing care for abused, neglected, and/or abandoned children. It is operated as an agency of the Louisiana Conference of the United Methodist Church.

The Methodist Home For Children administers programs, receiving revenue from the State of Louisiana, Office of Community Services and Office of Youth Development. The residential programs administer to children with moderate and severe emotional and/or behavioral problems. The therapeutic and private agency foster care programs place children in a family environment while providing counseling and support for the families. The group home program began July 1997 and provides living skill training to teenagers in a residential environment.

The accompanying financial statements include only the accounts of The Methodist Home For Children. No other assets owned by or activities operated by the Louisiana Conference of the United Methodist Church have been included herein.

Basis of Presentation - The financial statements are prepared on the accrual basis. Support from both unrestricted and restricted contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Support from unrestricted contributions is reported as unrestricted support which increase unrestricted net assets. The Home reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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, where all related expenses are also reported. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Home reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Investments in Marketable Securities - Under Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments Held by Not-For-Profit Organizations” whereby “investments in equity securities with readily determinable fair values and all investments in debt securities shall be measured at fair value in the statement of financial position”, investments in marketable securities are stated at fair value. There are no donor-restricted investments at June 30, 1999. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets. Dividend, interest, and other investment income are reported in the period earned in the statement of activities as increases in unrestricted net assets.

Concentration of Risk - Approximately 86% of the Home’s revenue was provided by contract for services with the State of Louisiana, Office of Community Services, and Office of Youth Development.

Concentration of Credit Risk - Deposits in the operating cash account and the investment service account exceed the Federal Deposit Insurance Corporation limit. Deposits in excess of insurance coverage represent concentrations of credit risk.

Depreciation - Building and improvements are being depreciated over estimated useful lives of 40 years using the straight-line method of depreciation. Equipment and furniture are depreciated over estimated useful lives, which range from 3 to 10 years, using the straight-line method of depreciation. It is the Home’s policy to capitalize assets costing \$2,500 or more.

Accounts Receivable - The Methodist Home For Children considers accounts receivable to be virtually fully collectible since the balance consists entirely of payments due under state government contracts. An allowance for uncollectible amounts is recorded equal to aged receivables over one year old.

Income Taxes - No provision for income taxes has been made since the Home is exempt as a nonprofit organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The Home has no unrelated business income.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the period. Actual results could differ from those estimates.

Compensation for Future Absences - The Home has not accrued for compensation for future absences because the amount cannot be reasonably estimated. The Home’s vacation policy is that when proper notice of resignation or termination is given the employee will be paid for accumulated vacation time up to the maximum of one year’s allotment. Sick leave may not be carried over to the next year and no reimbursement for sick leave time will be made on termination of employment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses - Administrative expenses and other overhead are allocated to programs and supporting services by management on the basis of number of residents in the corresponding programs and/or the number of employees in the corresponding departments.

Statement of Cash Flows - For purposes of the Statement of Cash Flows, the Home considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 1999, cash and cash equivalents consisted only of cash.

NOTE 2 - INVESTMENTS

Investments are stated at fair value. The United Methodist Foundation of Louisiana is the custodian of the marketable securities and cash investments for the Methodist Home for Children. The Foundation makes investment transactions through pooled funds with professional fund managers and advisors at Bank One and Ivesco Capital Management. Equities represent approximately 58% of the pooled portfolio while U.S. treasury and government agency securities represent approximately 10% and corporate grade bonds represent approximately 26% of the total pooled investments. Cash and equivalents are approximately 6% of the total. These assets are unrestricted. The resolutions as to the use of these funds are voluntary, at the discretion of the Board of Trustees of the Home. Therefore, investment income gains and expenses are reported in the period earned in the statement of activities as increases in unrestricted net assets.

Aggregate carrying amounts by major types are as follows:

Equities	\$ 748,790
U.S. treasury & govt. agency securities	335,446
Bonds, corporate grade	134,047
Cash & equivalents	<u>84,415</u>
	<u>\$1,302,698</u>

The investment funds activity was as follows:

Balance, beginning of year	\$ 1,403,132
Investment income	53,771
Expenses	(7,097)
Transfers to operations	(246,674)
Gains in fair value	<u>99,566</u>
Balance, end of year	<u>\$1,302,698</u>

NOTE 3 - COMMITMENTS AND CONTINGENCIES

The Methodist Home For Children receives a substantial amount of its revenue from the state government. A significant reduction in the level of this revenue, if this were to occur, would have a material effect on the Home's programs and activities. The Methodist Home For Children is required to submit cost reports to the state agency which substantiates the revenue received and then reimburses the Home for costs incurred for providing care for the children.

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are carried at cost if purchased and at fair value if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred. The following is a summary of the major classes of property and equipment and the related depreciation:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 172,398		\$ 172,398
Bldgs & imprvmts	2,011,466	\$ 897,106	1,114,360
Equipment	174,661	109,213	65,448
Furn & fixtures	160,380	130,165	30,215
Vehicles	148,343	78,596	69,747
Totals	<u>\$2,667,248</u>	<u>\$1,215,080</u>	<u>\$1,452,168</u>

NOTE 5 - RELATED PARTY

The Methodist Home For Children is operated as an agency of the Louisiana Conference of the United Methodist Church. During the year, The Methodist Home For Children paid a nominal fee for an ad in the Louisiana Conference's newspaper.

NOTE 6 - PENSION PLAN

The Methodist Home For Children has a 403(b)(9) type pension plan for all eligible employees. Employees are eligible to participate in the plan if they are at least 21 years of age, have been employed by The Methodist Home For Children for one year, and work at least 20 hours per week. Employees are required to contribute at least 2% (up to a maximum of 20%) of their gross bi-weekly salary into the plan, not to exceed \$9,500. The employer agrees to contribute 4% of each participating employee's contribution base. Employer contributions for the plan during the year were \$30,953. Employee contributions for the plan during the year were \$20,552.

NOTE 7 - CHARITABLE TRUST

On December 18, 1990, a charitable trust was set up by an individual designating the director of the United Methodist Foundation of Louisiana as trustee. The donor suggested that one-half of the trust's annual income and ultimate principal be ultimately distributed to The Methodist Home For Children in New Orleans, Louisiana, on an unrestricted basis. The term of the trust is for 30 years.

In the event The Methodist Home For Children in New Orleans, Louisiana, ceases to function or ceases to be a qualified tax exempt charity before the 30 years has run, the donor suggested the funds be distributed to another children's home. At June 30, 1999, the market value of the trust was \$520,516. The Methodist Home For Children is presently receiving income from this trust. The income received during the year was \$16,519, less expenses of \$4,152 for a net of \$12,367.

NOTE 8 - NOTES PAYABLE AND LONG TERM DEBT

The Methodist Home for Children had an unsecured line of credit with Bank One for \$100,000 at June 30, 1999, with an outstanding balance of \$97,085.

At June 30, 1999, the Home had a secured note dated November 17, 1995, payable to the United Methodist Foundation of Louisiana totaling \$43,040. This note is payable in monthly installments with a final payment for the entire unpaid principal balance on the note and all accrued and unpaid interest thereon due and payable on November 20, 2000. This note is secured by the Home's investment portfolio which is held by the United Methodist Foundation of Louisiana. Interest is calculated at the Wall Street Journal prime interest rate on the last business day of each calendar month.

At June 30, 1999, The Methodist Home For Children had a mortgage note, dated June 4, 1997, payable to a private foundation, totaling \$422,553. The mortgage is payable in annual installments beginning June 4, 1998, at a rate of 5.00% for 20 years, and is secured by the properties located at 832-834, 837-839, and 841-843 Washington Avenue, New Orleans, Louisiana.

Maturities of long-term debt for the next five years are as follows:

Fiscal year ended June 30

	<u>Methodist Foundation</u>	<u>Private Foundation</u>	<u>Total</u>
2000	\$ 5,683	\$ 21,618	\$ 27,301
2001	37,357	15,337	52,694
2002	--	16,122	16,122
2003	--	16,946	16,946
2004	--	17,814	17,814
Thereafter	--	334,716	334,716
	<u>\$43,040</u>	<u>\$422,553</u>	<u>\$465,593</u>

NOTE 9 - SUPPORT AND REVENUE AND DONATED MATERIALS,
FACILITIES AND SERVICES

Contributed Services - From time to time, the Home receives used furniture and equipment and contributed labor and materials to enhance the facilities. In accordance with Statement of Position 78-10, issued by the American Institute of Certified Public Accountants (AICPA), donated materials and facilities that are such that values cannot reasonably be determined and which vary greatly in value depending on condition and style should not be recorded as contributions. If donated materials pass through the organization to its charitable beneficiaries, and the organization serves only as an agent for the donors, the donation should not be recorded as a contribution. Therefore, historically, the Home has not recorded as contributions any donated materials and facilities.

The Home receives donated services from volunteers for fundraising, as available, and from the members of the Board of Directors, who serve without compensation. In accordance with AICPA SOP 78-10, because of the difficulty in placing a monetary value on such services, their value has not, historically, been recorded as contributions with an equivalent amount recorded as an expense. The Home recognizes contributions of services, if the service received required specialized skills and would typically need to be purchased if not provided by donations. During the year ended June 30, 1999, there were no contributed services meeting the requirements for recognition in the financial statements.

NOTE 10 - ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS

An allowance for uncollectible amounts was recorded equal to aged receivables over one year old at June 30, 1999, which was \$76,084.

NOTE 11 - RESTRICTED NET ASSETS

The Methodist Home For Children had no permanently restricted net assets at June 30, 1999. Temporarily restricted net assets were available for the following purposes:

Brochure and video development	\$3,500
Bedding	<u>6,187</u>
Total	<u>\$9,687</u>

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished were as follows:

Brochure and video development	<u>\$4,500</u>
Total	<u>\$4,500</u>

NOTE 13 - DISCLAIMER REGARDING LOSS CONTINGENCIES

This report does not take into consideration any compliance, or lack thereof, with The Americans with Disabilities Act (ADA), Occupational Safety and Health Act (OSHA), or that of any other regulatory agency.

THE METHODIST HOME FOR CHILDREN
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 1999

NOTE 14 - SCHEDULE OF COSTS AND EXPENSES ON FUNCTIONAL BASIS

	Private Agency Foster Care	Therapeutic Foster Care	Severe Intervention	Moderate Intervention	Group Home	Administrative & General	Total
Salaries	\$ 46,208	\$108,466	\$373,063	\$ 647,540	\$129,239	\$204,645	\$1,509,161
Payroll taxes	4,068	10,301	26,232	60,436	9,232	18,133	128,402
Employee Benefits	1,921	2,634	11,520	18,008	2,348	33,549	69,980
Foster Care	185,028	719,943					904,971
Insurance	1,066	2,703	13,859	27,185	6,397	4,018	55,228
Licenses and taxes			930	61	613	1,775	3,379
Office supplies	400	1,186	5,714	21,730	2,475	8,953	40,458
Printing	421	1,055	4,924		3,986	2,156	12,542
Postage	171	387	1,997	3,911	3,919	4,346	14,731
Mileage/transportation/travel	6,058	15,069	10,571	17,177	2,242	8,498	59,615
Service contracts	913	2,248	12,745	24,917	5,399	24,228	70,450
Telephone	325	962	3,681	7,270	2,021	13,980	28,239
Training, in service	37	74	81	165	177	1,150	1,684
Bank charges/miscellaneous						3,626	3,626
Advertising & promotions						5,275	5,275
Security	88	183	212	403	9,314	1,524	11,724
Maint, building & grounds			39,220	66,625	1,433		107,278
Maint, furniture & equip.			4,133	7,851	3,719		15,703
Dues & subscriptions						3,150	3,150
Supplies	7	11	10,161	18,170	4,139		32,488
Utilities	1,377	3,678	18,939	37,071	14,311	2,896	78,272
Consultants		3,920	7,582	15,849	5,041	16,225	48,617
Professional services						22,516	22,516
Food			35,276	60,869	13,224		109,369
Clothing			8,256	11,908	3,217		23,381
Medical			4,849	5,090	719		10,658
Personal hygiene, etc.			4,638	7,197	1,204		13,039
Allowance			449	5,741	1,869		8,059
Children's recreation/ parties			7,597	14,429	3,087		25,113
Interest						31,743	31,743
Bad debts						47,332	47,332
Depreciation	1,781	4,453	23,154	45,417	10,686	3,562	89,053
Meals & entertainment	2	3	392	532	134		1,063
Contracts outside service	94	236	4,296	15,496	2,774	3,026	25,922
Investment mgmt fees						11,249	11,249
Special events						807	807
Totals	\$249,965	\$877,512	\$634,471	\$1,141,048	\$242,919	\$478,362	\$3,624,277



The Methodist Home For Children



December 21, 1999

Daniel G. Kyle, CPA, CFE
Legislative Auditor
Legislative Audit Advisory Council
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Kyle:

Having attempted to implement the appropriate procedure for internal controls with the staff currently employed and having failed to accomplish our goal, The Methodist Home For Children has hired a business manager with a higher level of accounting proficiency. At the present time, the internal controls are working appropriately. Accounts receivables are being monitored, reviewed and collected in accordance with the procedure designed by our outside auditor.

One element of collection of Accounts Receivable is outside our control. That area has to do with the state's procedure of reimbursement, especially in the Private Agency Foster Care program. This procedure often causes full payments to fall behind between thirty (30) to sixty (60) days. Also in regard to the old money (prior to March, 1999), the state has been provided with adequate information, but due to inadequate staff, they have not responded expeditiously.

The issues mentioned in the opening paragraph of this letter that we can effect will be addressed until we have an internal control structure that meets the standards of the state. Our desire is to be in compliance with all operational procedures. With the new personnel and the diligence of The Finance Committee of The Board of Trustees, These reportable conditions are being addressed and should be issues that can be removed in our next external audit.

Thank you for your diligence in helping us be more efficient in the financial area of our operations. Being held to a high standard of excellence assists us in getting quality goals for our financial office.

Sincerely,

Douglas Ezell, Ph.D.
Chief Executive Officer

A Healing Place for Children

815 Washington Avenue • New Orleans, Louisiana 70130 • Ph: (504) 895-7709 • Fax: (504) 899-1137
Mailing Address: P.O. Box 15109 • New Orleans, Louisiana 70175-5109