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*Financial Report*

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

*Houma, 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 **NOV 10 1999**

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June 30, 1999

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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, 1999 and 1998, 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, 1999 and 1998, 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 9, 1999, 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 9, 1999.

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

June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>Assets</b>		
Cash	\$ 259,925	\$ 145,350
Operating trust - investments	210,986	198,786
Accounts receivable, state agencies	122,115	124,299
Prepaid insurance	18,620	20,393
Assets restricted for future years' use of facilities	16,038	46,073
Endowment trust - investments	355,209	320,419
Restricted trust - investments	75,395	67,119
Property and equipment, net	383,449	380,727
Deposits	409	457
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 1,442,146</u>	<u>\$ 1,303,623</u>
<b>Liabilities</b>		
Accounts payable	\$ 14,220	\$ 14,520
Accrued salaries	101,570	7,317
Payroll taxes payable	1,640	1,729
Other liabilities	2,297	2,165
Equipment financing lease	-	3,456
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>119,727</u>	<u>29,187</u>
<b>Net Assets</b>		
<i>Unrestricted:</i>		
Designated for subsequent years' expenses and plant expansion	355,209	320,419
Undesignated	875,777	840,825
	<u>                    </u>	<u>                    </u>
Total unrestricted	1,230,986	1,161,244
Temporarily restricted	16,038	46,073
Permanently restricted	75,395	67,119
	<u>                    </u>	<u>                    </u>
Total net assets	<u>1,322,419</u>	<u>1,274,436</u>
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 1,442,146</u>	<u>\$ 1,303,623</u>

See notes to financial statements.

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

For the years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>Unrestricted Net Assets</b>		
Support:		
State of Louisiana - Department of Social Services	\$ 1,414,944	\$ 1,269,696
General Board of Global Ministries of the United Methodist Church	73,105	61,454
Churches and other affiliates	12,725	10,105
Contributions of individuals and other non-church affiliations	68,348	109,958
In-kind contributions, insurance	13,228	13,279
In-kind contributions, interest	3,486	6,017
Special events	13,221	18,299
Total unrestricted support	<u>1,599,057</u>	<u>1,488,808</u>
Revenue:		
Interest income, bank accounts	5,218	1,982
Investment income:		
Interest and dividends	34,692	32,822
Unrealized gains	12,298	20,570
Other income	21,855	17,784
Total unrestricted revenue	<u>74,063</u>	<u>73,158</u>
Net assets released from restrictions:		
Use of facilities	<u>30,035</u>	<u>27,503</u>
Total unrestricted support, revenue and net assets released from restrictions (carry forward)	<u>1,703,155</u>	<u>1,589,469</u>

**Exhibit B  
(Continued)**

	1999	1998
Total unrestricted support, revenue and net assets released from restrictions (brought forward)	1,703,155	1,589,469
<b>Expenses</b>		
<b>Program Services:</b>		
Plant operation and maintenance	150,008	131,903
Costs related to capital assets	78,337	82,476
Dietary	99,367	88,335
Laundry and linen	2,670	2,711
Housekeeping	24,578	22,042
Personal client needs	7,452	7,065
Medical and nursing	32,575	30,403
Therapeutic and training	763,811	704,608
Recreational	43,408	36,763
Consultants	8,600	9,000
Educational	3,855	1,838
Total program services	1,214,661	1,117,144
<b>Support Services:</b>		
Administrative and general	377,997	348,142
Fund raising	40,755	39,845
Total support services	418,752	387,987
Total expenses	1,633,413	1,505,131
<b>Increase in Unrestricted Net Assets</b>	69,742	84,338
<b>Temporarily Restricted Net Assets</b>		
Net assets released from restrictions for use of facilities	(30,035)	(27,503)
<b>Permanently Restricted Net Assets</b>		
Interest and dividends earned in restricted trust	1,783	1,749
Unrealized gains in restricted trust	6,493	8,885
Total permanently restricted net assets	8,276	10,634
<b>Increase in Net Assets</b>	47,983	67,469
<b>Net Assets</b>		
Beginning of year	1,274,436	1,206,967
End of year	\$ 1,322,419	\$ 1,274,436

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES**

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

For the year ended June 30, 1999

	Program Services							Therapeutic and Training
	Plant Operations and Maintenance	Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	
Salaries	\$ 47,230	\$ -	\$ 36,868	\$ -	\$ 17,769	\$ -	\$ 26,787	\$ 669,155
Payroll taxes	3,195	-	2,366	-	1,251	-	1,926	45,831
Employee benefits	3,661	-	4,213	-	970	-	1,506	48,825
<b>Total salaries and related expenses</b>	<b>54,086</b>	<b>-</b>	<b>43,447</b>	<b>-</b>	<b>19,990</b>	<b>-</b>	<b>30,219</b>	<b>763,811</b>
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	1,046	-	-
Building and grounds maintenance	16,501	-	-	-	-	-	-	-
Building and grounds repair	10,771	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	2,753	-	-
Contract services	18,660	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	2,987	-	-	-	-	-	-
Furniture and equipment	-	12,242	-	-	-	-	-	-
Leasehold improvements	-	21,892	-	-	-	-	-	-
Motor vehicles	-	5,002	-	-	-	-	-	-
Disposal of assets	-	2,261	-	-	-	-	-	-
Donated use of facilities	-	30,035	-	-	-	-	-	-
Donated interest	-	3,486	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Facility/Prod - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	51,608	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Interest	-	432	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	(115)	-	-
Laundry/Linen supplies	-	-	-	2,670	-	-	-	-
Licenses	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	2,356	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Office supplies - Vol. Gala	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	3,768	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/Photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	8,186	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Staff training supplies	-	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	2,231	-	4,312	-	4,588	-	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	39,573	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 150,008</b>	<b>\$ 78,337</b>	<b>\$ 99,367</b>	<b>\$ 2,670</b>	<b>\$ 24,578</b>	<b>\$ 7,452</b>	<b>\$ 32,575</b>	<b>\$ 763,811</b>

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 26,008	\$ -	\$ -	\$ 823,817	\$ 223,805	\$ 30,109	\$ 253,914	\$ 1,077,731
1,720	-	-	56,289	13,131	2,147	15,278	71,567
2,487	-	-	61,662	15,539	2,470	18,009	79,671
30,215	-	-	941,768	252,475	34,726	287,201	1,228,969
9,585	-	-	9,585	-	-	-	9,585
-	-	-	-	4,806	-	4,806	4,806
-	-	-	1,046	-	-	-	1,046
-	-	-	16,501	-	-	-	16,501
-	-	-	10,771	-	-	-	10,771
-	-	-	2,753	-	-	-	2,753
-	-	-	18,660	-	-	-	18,660
-	-	-	-	-	660	660	660
-	-	-	2,987	-	-	-	2,987
-	-	-	12,242	-	-	-	12,242
-	-	-	21,892	-	-	-	21,892
-	-	-	5,002	-	-	-	5,002
-	-	-	2,261	-	-	-	2,261
-	-	-	30,035	-	-	-	30,035
-	-	-	3,486	-	-	-	3,486
-	-	-	-	2,350	-	2,350	2,350
-	-	-	-	-	600	600	600
-	-	-	-	-	122	122	122
-	-	-	51,608	-	-	-	51,608
-	-	-	-	-	3,295	3,295	3,295
-	-	-	432	-	-	-	432
-	-	-	-	67,646	-	67,646	67,646
-	-	-	-	-	191	191	191
-	-	-	(115)	-	-	-	(115)
-	-	-	2,670	-	-	-	2,670
-	-	-	-	710	-	710	710
-	-	-	2,356	-	-	-	2,356
-	-	-	-	3,509	-	3,509	3,509
-	-	-	-	5,693	464	6,157	6,157
-	-	-	-	9,751	-	9,751	9,751
-	-	-	-	-	4	4	4
-	-	-	3,768	-	-	-	3,768
-	-	-	-	2,350	-	2,350	2,350
-	-	-	-	-	203	203	203
-	-	-	-	1,423	-	1,423	1,423
-	-	-	-	-	314	314	314
-	-	2,200	2,200	12,900	-	12,900	15,100
-	8,600	-	8,600	-	-	-	8,600
-	-	-	8,186	-	-	-	8,186
-	-	1,655	1,655	-	-	-	1,655
-	-	-	-	358	-	358	358
-	-	-	-	215	-	215	215
3,608	-	-	14,739	-	-	-	14,739
-	-	-	-	6,285	-	6,285	6,285
-	-	-	-	7,526	176	7,702	7,702
-	-	-	39,573	-	-	-	39,573
<u>\$ 43,408</u>	<u>\$ 8,600</u>	<u>\$ 3,855</u>	<u>\$ 1,214,661</u>	<u>\$ 377,997</u>	<u>\$ 40,755</u>	<u>\$ 418,752</u>	<u>\$ 1,633,413</u>



**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	-	-	-	-	-	-
Leaschold 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>

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

For the years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 47,983	\$ 67,469
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	74,451	80,183
Contributed depreciation	(32,328)	(32,328)
Loss from disposition of equipment	2,261	719
Unrealized gains on investments	(18,791)	(29,455)
Decrease (increase) in assets:		
Receivables	2,184	(17,908)
Prepaid insurance	1,773	878
Assets restricted for future years' use of facilities	30,035	27,503
Deposits	48	198
Increase (decrease) in liabilities:		
Accounts payable	(300)	1,145
Accrued salaries and payroll taxes	94,164	2,408
Other liabilities	132	485
Total adjustments	<u>153,629</u>	<u>33,828</u>
Net cash provided by operating activities	<u>201,612</u>	<u>101,297</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(49,106)	(50,427)
Proceeds from sale of equipment	2,000	-
Purchase of operating trust investments	(12,200)	(11,954)
Purchase of endowment trust investments	(22,492)	(55,651)
Purchase of restricted trust investments	(1,783)	(1,749)
Net cash used by investing activities	<u>(83,581)</u>	<u>(119,781)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on equipment financing lease	(3,456)	(2,780)
Net increase (decrease) in cash	114,575	(21,264)
<b>Cash</b>		
Beginning of year	<u>145,350</u>	<u>166,614</u>
End of year	<u>\$ 259,925</u>	<u>\$ 145,350</u>
<b>Supplemental Disclosures</b>		
Interest paid	<u>\$ 432</u>	<u>\$ 1,102</u>

See notes to financial statements.

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

June 30, 1999 and 1998

**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. The center had no cash equivalents at June 30, 1999 and 1998.

**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
Leasehold improvements	15 - 27 years
Land improvements	11 - 20 years
Furniture and fixtures	3 - 20 years
Machinery and equipment	3 - 15 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, 1999 and 1998 was \$42,123 and \$47,855, 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished),

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

**j) Restricted and Unrestricted Support (Continued)**

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.

**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 accrued accumulated vacation leave at June 30, 1999 was \$53,889 and management considered the amount at June 30, 1998 to be insignificant to the financial statements.

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, 1999 and 1998 are as follows:

<u>Investment Pool</u>	<u>June 30, 1999</u>		<u>June 30, 1998</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Operating Trust	<u>\$210,986</u>	<u>\$210,986</u>	<u>\$198,786</u>	<u>\$198,786</u>
Endowment Trust:				
Cash equivalents	8,351	8,351	3,120	3,120
Mutual funds - fixed	163,216	161,447	158,640	162,728
Mutual funds - equity	<u>140,702</u>	<u>185,411</u>	<u>123,937</u>	<u>154,571</u>
Total endowment trust	<u>312,269</u>	<u>355,209</u>	<u>285,697</u>	<u>320,419</u>
Restricted Trust	<u>43,361</u>	<u>75,395</u>	<u>41,578</u>	<u>67,119</u>
Totals	<u>\$566,616</u>	<u>\$641,590</u>	<u>\$526,061</u>	<u>\$586,324</u>

The investment pools of the operating and restricted trusts have been merged by the bank trustee. 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	0.5%
Fixed income securities	40.0%
Equities	48.7%
Real estate and mortgage receivables	<u>10.8%</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. The annual lease rental for the year ended June 30, 1999 was \$30,035.

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, 1999 and 1998 property and equipment consist of the following:

	<u>1999</u>	<u>1998</u>
Land and improvements	\$ 56,073	\$ 56,073
Building	51,221	48,006
Leaschold improvements	614,273	591,111
Machinery and equipment	156,762	142,566
Furniture and fixtures	71,992	69,657
Autos and trucks	<u>71,750</u>	<u>71,750</u>
	1,022,071	979,163
Less accumulated depreciation	<u>638,622</u>	<u>598,436</u>
Net property and equipment	<u>\$ 383,449</u>	<u>\$380,727</u>

**Note 5 - 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, 1999 and 1998 were \$51,366 and \$47,202, respectively.

**Note 6 - 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, 1999 and 1998 were \$1,414,944 and \$1,264,280, respectively.

Reimbursements are determined based on a child-care day rate of \$110.81 per child-care day. 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, 1999 and 1998 were 12,974 and 11,737, respectively. If significant budget cuts are made at the federal and/or state level, the amount of support the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of support the Center will receive in the next fiscal year.

**Note 7 - 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 \$162,425 as of June 30, 1999.

**SPECIAL REPORTS 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, 1999, and have issued our report thereon dated August 9, 1999. 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 and is not intended to be and should not be used by anyone other than these specified parties.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, La.,  
August 9, 1999.

## SCHEDULE OF FINDINGS

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

For the year ended June 30, 1999

#### 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, 1999.

#### Section II Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 1999.

#### 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, 1999

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

##### **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.



**MANAGEMENT'S CORRECTIVE ACTION PLAN**

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

For the year ended June 30, 1999

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

**Internal Control**

No material weaknesses were reported for the year ended June 30, 1999.

No reportable conditions were reported for the year ended June 30, 1999.

**Compliance**

No compliance findings material to the statements of financial position were noted during the year ended June 30, 1999.

**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, 1999.

**Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 1999.