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**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.  
RUSTON, LOUISIANA**

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA  
DECEMBER 31, 2003 AND 2002  
AND  
INDEPENDENT AUDITORS' REPORT**

**REPORT ON COMPLIANCE AND INTERNAL CONTROLS  
BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**APPENDIX TO REPORT ON AND COMPLIANCE  
INTERNAL CONTROLS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**MANAGEMENT LETTER**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 5.26.04

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.  
RUSTON, LOUISIANA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA  
DECEMBER 31, 2003 AND 2002  
AND  
INDEPENDENT AUDITORS' REPORT**

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**C O N T E N T S**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS</b>	1
<b>FINANCIAL STATEMENTS</b>	
Combined statements of financial position	2
Combined statements of activities	3
Combined statements of cash flows	4
Financial Statements of Individual Funds	
General Operating Fund	
Statements of financial position	5
Statements of activities	6
Statements of cash flows	7
Endowment Fund	
Statements of financial position	8
Statements of activities	9
Statements of cash flows	10
Local Investment Fund	
Statements of financial position	11
Statements of activities	12
Statements of cash flows	13
General Fixed Assets	
Statements of financial position	14
Statements of activities	15
Statements of cash flows	16
Notes to Financial Statements	17
<b>INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY DATA</b>	24
Supplementary Data	
General Operating Fund	
Statements of Activities - details	
Revenue detail	25
Expenses detail	26
General Fixed Assets	
Statements of changes in general fixed assets	34

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL  
STATEMENTS BASED ON AN AUDIT PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying statements of financial position of Louisiana United Methodist Children and Family Services, Inc., as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended, as listed in the table of contents. These financial statements are the responsibility of Louisiana United Methodist Children and Family Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 audit provides 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 Louisiana United Methodist Children and Family Services, Inc., as of December 31, 2003 and 2002, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2004 on our consideration of Louisiana United Methodist Children and Family Services, Inc.'s internal control over financial statements reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Minchew, Robinson, Gardner  
Langston & Bryan, CPAs*

April, 29, 2004

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2003 AND 2002**

	General Operating Fund	Endowment Fund	Local Investment Fund	General Fixed Assets	Total All Funds 2003	Total All Funds 2002
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 371,450	\$ 262,913	\$ 1,310,983	\$	\$ 1,945,346	\$ 872,808
Accounts & cost reimb. rec.	450,174	21,650	16,386		488,210	659,793
Prepaid expenses	73,762				73,762	67,514
Promises to give - temp. restricted			179,584		179,584	424,746
Promises to give - temp. restricted (officers and employees)			21,927		21,927	
<b>Total current assets</b>	<b>\$ 895,386</b>	<b>\$ 284,563</b>	<b>\$ 1,528,880</b>	<b>\$</b>	<b>\$ 2,708,829</b>	<b>\$ 2,024,861</b>
<b>Other Assets</b>						
Promises to give - temp. restricted	\$	\$	\$ 77,150	\$	\$ 77,150	\$ 59,836
Promises to give - temp. restricted (officers and employees)			1,588		1,588	
<b>Total other assets</b>	<b>\$</b>	<b>\$</b>	<b>\$ 78,738</b>	<b>\$</b>	<b>\$ 78,738</b>	<b>\$ 59,836</b>
<b>Long-Term Investments</b>						
Stocks, bonds and notes	\$	\$ 19,581,983	\$ 23,100	\$	\$ 19,605,083	\$ 16,889,516
Investment property			521,936		521,936	521,936
Trust funds - temporarily restricted	79,874		1,194,077		1,273,951	846,194
<b>Total long-term investments</b>	<b>\$ 79,874</b>	<b>\$ 19,581,983</b>	<b>\$ 1,739,113</b>	<b>\$</b>	<b>\$ 21,400,970</b>	<b>\$ 18,257,646</b>
<b>Property and Equipment</b>						
Land and improvements	\$	\$	\$	\$ 72,538	\$ 72,538	\$ 72,538
Property, plant and equipment				11,058,898	11,058,898	10,781,534
Less: Accumulated depreciation				(3,889,900)	(3,889,900)	(3,411,298)
<b>Total property and equipment</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 7,241,536</b>	<b>\$ 7,241,536</b>	<b>\$ 7,442,774</b>
<b>Total Assets</b>	<b>\$ 975,260</b>	<b>\$ 19,866,546</b>	<b>\$ 3,346,731</b>	<b>\$ 7,241,536</b>	<b>\$ 31,430,073</b>	<b>\$ 27,785,117</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 91,733	\$	\$ 4,079	\$	\$ 95,812	\$ 84,027
Accrued compensation	301,511				301,511	285,790
<b>Total current liabilities</b>	<b>\$ 393,244</b>	<b>\$</b>	<b>\$ 4,079</b>	<b>\$</b>	<b>\$ 397,323</b>	<b>\$ 369,817</b>
<b>Net Assets</b>						
Unrestricted	\$ 502,142	\$ 19,866,546	\$ 1,868,326	\$ 7,241,536	\$ 29,478,550	\$ 26,084,524
Temporarily restricted	79,874		1,474,326		1,554,200	1,330,776
<b>Total net assets</b>	<b>\$ 582,016</b>	<b>\$ 19,866,546</b>	<b>\$ 3,342,652</b>	<b>\$ 7,241,536</b>	<b>\$ 31,032,750</b>	<b>\$ 27,415,300</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 975,260</b>	<b>\$ 19,866,546</b>	<b>\$ 3,346,731</b>	<b>\$ 7,241,536</b>	<b>\$ 31,430,073</b>	<b>\$ 27,785,117</b>

**The accompanying notes are an  
integral part of this statement.**

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**COMBINED STATEMENTS OF ACTIVITIES  
For The Years Ending December 31, 2003 and 2002**

	General Operating Fund	Endowment Fund	Local Investment Fund	General Fixed Assets	Total All Funds 2003	Total All Funds 2002
<b>UNRESTRICTED SUPPORT AND REVENUE</b>						
Contributions	\$ 550,525	\$	\$ 491,091	\$	\$ 1,041,616	\$ 1,708,617
Children's home offerings	88,333				88,333	79,995
Wills and bequests			395,671		395,671	123,153
Child care support	4,641,168				4,641,168	4,656,093
Independent living services	128,173				128,173	129,946
Grants for child care	86,880				86,880	65,135
Family development services	35,331				35,331	37,374
Trust funds	60,152		7,574		67,726	59,847
Interest income	7,275	65,082	2,378		74,735	108,417
Dividend and pooled funds income	19,000	687,300	829		707,129	739,611
Miscellaneous	130,466		31,152		161,618	157,094
Net realized and unrealized gain (loss) on investments		3,042,732	25,438		3,068,170	(3,596,101)
Other investment income			552,806		552,806	322,951
	<u>\$ 5,747,303</u>	<u>\$ 3,795,114</u>	<u>\$ 1,506,939</u>	<u>\$</u>	<u>\$11,049,356</u>	<u>\$ 4,592,132</u>
<b>EXPENSES</b>						
Administrative and general	\$ 1,178,595	\$ 38,863	\$ 145,646	\$	\$ 1,363,104	\$ 1,281,405
Plant operation and maintenance	504,788				504,788	471,714
Medical and nursing	183,668				183,668	160,424
Dietary	446,572				446,572	440,740
Emergency shelter care	514,503				514,503	457,195
Residential group care	685,087				685,087	734,615
Recreational	188,347				188,347	172,456
Educational services	406,404				406,404	381,644
Pastoral care	78,695				78,695	77,901
Family development service	258,861				258,861	253,179
Clinical services	495,222				495,222	488,040
Life skills service	138,097				138,097	140,215
Outdoor wilderness learning	142,074				142,074	124,236
Public relation and development	307,121				307,121	235,408
Family plus	129,866				129,866	138,025
Changing attitudes and behavior	1,274,914				1,274,914	1,243,479
Provision for depreciation				538,007	538,007	491,627
	<u>\$ 6,932,814</u>	<u>\$ 38,863</u>	<u>\$ 145,646</u>	<u>\$ 538,007</u>	<u>\$ 7,655,330</u>	<u>\$ 7,292,303</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ (1,185,511)</u>	<u>\$ 3,756,251</u>	<u>\$ 1,361,293</u>	<u>\$ (538,007)</u>	<u>\$ 3,394,026</u>	<u>\$ (2,700,171)</u>
<b>CHANGE IN ASSETS FROM OPERATIONS</b>	<u>\$ (1,185,511)</u>	<u>\$ 3,756,251</u>	<u>\$ 1,361,293</u>	<u>\$ (538,007)</u>	<u>\$ 3,394,026</u>	<u>\$ (2,700,171)</u>
<b>OTHER CHANGES IN NET ASSETS</b>						
Property and equipment acquisitions and transfers	\$ (5,036)	\$	\$ (331,733)	\$ 336,769	\$	\$
Operating transfers	1,223,416	(961,833)	(261,583)			
Endowment transfers		36,113	(36,113)			
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>\$ 32,869</u>	<u>\$ 2,830,531</u>	<u>\$ 731,864</u>	<u>\$ (201,238)</u>	<u>\$ 3,394,026</u>	<u>\$ (2,700,171)</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>						
Net realized and unrealized gain on investments			347,883		347,883	(170,812)
Contributions	79,874		(204,333)		(124,459)	275,236
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ 112,743</u>	<u>\$ 2,830,531</u>	<u>\$ 875,414</u>	<u>\$ (201,238)</u>	<u>\$ 3,617,450</u>	<u>\$ (2,595,747)</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>469,273</u>	<u>17,036,015</u>	<u>2,467,238</u>	<u>7,442,774</u>	<u>27,415,300</u>	<u>30,011,047</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 582,016</u>	<u>\$ 19,866,546</u>	<u>\$ 3,342,652</u>	<u>\$ 7,241,536</u>	<u>\$31,032,750</u>	<u>\$ 27,415,300</u>

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**COMBINED STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2003 and 2002**

	General Operating Fund	Endowment Fund	Local Investment Fund	General Fixed Assets	Total All Funds 2003	Total All Funds 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from services	\$ 4,923,557	\$	\$	\$	\$ 4,923,557	\$ 4,890,733
Cash received from contributions	694,459		953,073		1,647,532	1,892,256
Income from trust funds	53,066		7,890		60,956	108,162
Interest received	7,275	71,200	2,378		80,853	118,351
Dividends received	19,000	692,814	829		712,643	758,212
Receipt from investment properties			575,112		575,112	311,418
Miscellaneous receipts	97,061		31,149		128,210	267,802
Cash paid to employees and suppliers	(6,911,537)	(38,863)	(144,453)		(7,094,853)	(6,737,767)
Cash received from (to) other funds	961,833	(961,833)				
Net cash provided (used) by operating activities	\$ (155,286)	\$ (236,682)	\$ 1,425,978	\$	\$ 1,034,010	\$ 1,609,167
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of investments	\$	\$ 3,531,905	\$ 37,057	\$	\$ 3,568,962	\$ 6,092,509
Purchase of investments		(3,193,665)			(3,193,665)	(5,805,924)
Purchase of property and equipment	(5,036)		(331,733)		(336,769)	(1,644,129)
Endowment transfers	261,583	36,113	(297,696)			
Net cash provided (used) in investing activities	\$ 256,547	\$ 374,353	\$ (592,372)	\$	\$ 38,528	\$ (1,357,544)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from short-term debt	\$	\$	\$	\$	\$	\$ 800,000
Payment of short-term debt						(800,000)
	\$	\$	\$	\$	\$	\$ 0
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	\$ 101,261	\$ 137,671	\$ 833,606	\$	\$ 1,072,538	\$ 251,623
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	270,189	125,242	477,377		872,808	621,185
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 371,450	\$ 262,913	\$ 1,310,983	\$	\$ 1,945,346	\$ 872,808
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Change in Net Assets:	\$ 112,743	\$ 2,830,531	\$ 875,414	\$ (201,238)	\$ 3,617,450	\$ (2,595,787)
Adjustments to reconcile changes in net assets to net cash provided						
Depreciation and amortization				538,007	538,007	491,667
Decrease (Increase) in receivables and promises to give	59,496	11,632	105,547		176,675	(261,604)
(Increase) in prepaid expenses	(17,416)		11,168		(6,248)	62,703
Increase (Decrease) in payables and accrued expenses	26,313		1,193		27,506	(48,770)
Realized and unrealized (gain) on investments		(3,042,732)	75,554		(2,967,178)	3,972,651
Purchase of property and equipment	5,036		331,733	(336,769)		1,632,435
Transfer from other funds	(261,584)	(36,113)	297,697			(1,644,128)
Non-cash bequest to trust funds	(79,874)		(272,328)		(352,202)	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ (155,286)	\$ (236,682)	\$ 1,425,978	\$ 0	\$ 1,034,010	\$ 1,609,167
<b>INTEREST PAID</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,580

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2003 and 2002**

**ASSETS**

	<u>2003</u>	<u>2002</u>
Current Assets		
Cash and cash equivalents	\$ 371,450	\$ 270,189
Accounts & cost reimburse receivables	450,174	509,669
Prepaid expenses	73,762	56,346
	<u>895,386</u>	<u>836,204</u>
Total Current Assets	\$ 895,386	\$ 836,204

**LONG-TERM INVESTMENTS**

Anonymous Charitable Lead Annuity Trust	\$ 79,874	\$ 0
	<u>79,874</u>	<u>0</u>
Total Long Term Investments	\$ 79,874	\$ 0
	<u>975,260</u>	<u>836,204</u>
Total Assets	\$ 975,260	\$ 836,204

**LIABILITIES**

Current Liabilities		
Accounts payable	\$ 91,733	\$ 81,141
Accrued compensation	301,511	285,790
	<u>393,244</u>	<u>366,931</u>
Total Current Liabilities	\$ 393,244	\$ 366,931

**NET ASSETS**

Unrestricted	502,142	469,273
Temporarily restricted	79,874	0
	<u>582,016</u>	<u>469,273</u>
Total Net Assets	\$ 582,016	\$ 469,273
	<u>975,260</u>	<u>836,204</u>
Total Liabilities and Net Assets	\$ 975,260	\$ 836,204

The accompanying notes are an  
integral part of this statement.



**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND  
STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>UNRESTRICTED REVENUES AND SUPPORT</b>		
Contributions	\$ 550,525	\$ 449,941
Children's home offerings	88,333	79,995
Special events	23,145	37,739
Child care support	4,641,168	4,656,093
Independent living services	128,173	129,946
Federal subgrants for child care	86,880	65,135
Family development services	35,331	37,374
Training fees and evaluation	10,260	6,584
Trust funds	60,152	50,177
Interest income	7,275	1,037
Dividend income	19,000	17,013
Outdoor wilderness learning	52,380	31,454
Miscellaneous income	44,681	17,607
	<u>\$ 5,747,303</u>	<u>\$ 5,580,095</u>
<b>EXPENSES</b>		
Administrative and general	\$ 1,178,595	\$ 1,067,601
Plant operation and maintenance	504,788	471,714
Medical and nursing	183,668	160,424
Dietary	446,572	440,740
Emergency shelter care	514,503	457,195
Residential group care	685,087	734,615
Recreational	188,347	172,456
Educational services	406,404	381,644
Pastoral care	78,695	77,901
Family development service	258,861	253,179
Clinical services	495,222	488,040
Life skills service	138,097	140,215
Outdoor wilderness learning	142,074	124,236
Public relations and development	307,121	235,408
Capital expenditures	5,036	13,865
Changing attitudes and behavior program	1,274,914	1,243,479
Family plus	129,866	138,025
	<u>\$ 6,937,850</u>	<u>\$ 6,600,737</u>
<b>REVENUE (DEFICIENCY) OVER EXPENSES</b>	<u>\$ (1,190,547 )</u>	<u>\$ (1,020,642 )</u>
<b>NET ASSETS TRANSFERRED FROM OTHER FUNDS</b>	<u>\$ 1,223,416</u>	<u>\$ 1,034,359</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u>\$ 32,869</u>	<u>\$ 13,717</u>
<b>CHANGE IN TEMPORARILY RESTRICTED ASSETS</b>		
Net realized and unrealized gain in investment contributions	\$ 79,874	\$ 0
	<u>\$ 79,874</u>	<u>\$ 0</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ 112,743	\$ 13,717
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>469,273</u>	<u>455,556</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 582,016</u>	<u>\$ 469,273</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND  
STATEMENTS OF CASH FLOWS  
As of December 31, 2003 and 2002**

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from services	\$ 4,923,557	\$ 4,890,733
Cash received from contributions	694,459	488,688
Income from trust funds	53,066	96,851
Interest received	7,275	1,037
Dividends received	19,000	17,013
Miscellaneous receipts	97,061	78,977
Transfer from other funds	961,833	1,034,359
Cash paid to employees and suppliers	<u>(6,911,537 )</u>	<u>(6,543,075)</u>
Net cash provided by operating activities	<u>\$ (155,286 )</u>	<u>\$ 64,583</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ (5,036 )	\$ (13,865)
Transfers from endowment fund	<u>261,583</u>	<u>0</u>
Net cash used in investing activities	<u>\$ 256,547</u>	<u>\$ (13,865)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 101,261</u>	<u>\$ 50,718</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>270,189</u>	<u>219,471</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 371,450</u></u>	<u><u>\$ 270,189</u></u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 112,743	\$ 13,717
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) Decrease in accounts receivable	59,496	(14,026)
(Increase) Decrease in prepaid expenses	(17,416 )	(10,797)
(Increase) Decrease in anonymous trust	(79,874 )	0
Increase (Decrease) in accounts payable	10,592	33,938
Increase in accrued wages	15,721	27,886
Purchase of property and equipment	5,036	13,865
Transfers from other funds	<u>(261,584 )</u>	<u>0</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (155,286 )</u></u>	<u><u>\$ 64,583</u></u>

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**ENDOWMENT FUND  
STATEMENTS OF FINANCIAL POSITION  
As of December 31, 2003 and 2002**

<b>ASSETS</b>	<u>2003</u>	<u>2002</u>
Cash and cash equivalents - Argent Trust - custodian	\$ 262,913	\$ 125,242
Investments - Argent Trust - custodian	7,306,164	6,166,012
Investments - Hibernia National Bank - custodian	12,275,819	10,744,761
Accrued Interest and Dividends	<u>21,650</u>	<u>0</u>
Total assets	<u>\$ 19,866,546</u>	<u>\$ 17,036,015</u>
 <b>NET ASSETS</b>		
Unrestricted net assets	<u>\$ 19,866,546</u>	<u>\$ 17,036,015</u>

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**ENDOWMENT FUND  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUE</b>		
Dividend income	\$ 111,936	\$ 91,119
Interest income	65,082	107,262
Income from pooled funds	575,364	631,015
Realized and unrealized gain (loss) on investments	<u>3,042,732</u>	<u>(3,868,543)</u>
	<u>\$ 3,795,114</u>	<u>\$ (3,039,147)</u>
<b>EXPENSES</b>		
Management and custody fees	<u>\$ 38,863</u>	<u>\$ 38,976</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 3,756,251</u>	<u>\$ (3,078,123)</u>
<b>OTHER CHANGES IN NET ASSETS</b>		
Operating transfers	(961,833)	(1,369,042)
Transfer from local investment fund	<u>36,113</u>	<u>86,416</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>\$ 2,830,531</u>	<u>\$ (4,360,749)</u>
<b>UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR</b>	<u>17,036,015</u>	<u>21,396,764</u>
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<u>\$ 19,866,546</u>	<u>\$ 17,036,015</u>

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**ENDOWMENT FUND  
STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2003 and 2002**

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	\$ 71,200	\$ 117,197
Dividends received	117,451	108,421
Income from pooled funds	575,363	632,314
Transfers to Operating Fund	(961,833 )	(1,034,359 )
Cash paid to suppliers of services	(38,863 )	(38,876 )
	<u>\$ (236,682 )</u>	<u>\$ (215,303 )</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of securities	\$ 3,531,905	\$ 6,003,436
Transfers (to) from Local Investment Fund	36,113	(248,267 )
Purchase of securities	(3,193,665 )	(5,805,924 )
	<u>\$ 374,353</u>	<u>\$ (50,755 )</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ 137,671	\$ (266,058 )
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>125,242</u>	<u>391,300</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 262,913</u>	<u>\$ 125,242</u>
<b>RECONCILIATION OF CHANGES TO NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,830,531	\$ (4,360,749 )
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in receivables	11,632	26,158
Net realized and unrealized loss (gains) on investments	(3,042,732 )	4,203,226
Amortization of bond premiums (discounts)	0	2,478
Transfers from other funds	(36,113 )	(86,416 )
	<u>\$ (236,682 )</u>	<u>\$ (215,303 )</u>

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**LOCAL INVESTMENT FUND  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2003 AND 2002**

**ASSETS**

	<u>2003</u>	<u>2002</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,310,983	\$ 477,377
Accounts receivable	16,386	116,842
Unconditional promises to give - temporarily restricted	179,584	424,746
Employees promises to give - temporarily restricted	21,927	0
Prepaid expenses	0	11,168
	<u>1,528,880</u>	<u>1,030,133</u>
<b>Total current assets</b>	<b>\$ 1,528,880</b>	<b>\$ 1,030,133</b>
<b>Long-Term Investments</b>		
Stocks and bonds	\$ 23,100	\$ 12,025
Louise Briley Leake Trust Fund - temporarily restricted	705,063	636,478
Hattye Jordan Trust Fund - temporarily restricted	150,594	145,282
Loraine Howard Property	462,035	462,035
R.D. Shelley Property	801	801
L.V. Lindingham Property	100	100
A.P. White Property	59,000	59,000
Unconditional promises to give - temporarily restricted	77,150	59,836
Employees promises to give - temporarily restricted	1,588	0
E.J. Bernard Annuity - temporarily restricted	66,092	64,434
Georgia W. Peniston Trust Fund-temporarily restricted	272,328	0
	<u>1,817,851</u>	<u>1,439,991</u>
<b>Total long-term investments</b>	<b>\$ 1,817,851</b>	<b>\$ 1,439,991</b>
<b>Total Assets</b>	<b>\$ 3,346,731</b>	<b>\$ 2,470,124</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 4,079	\$ 2,886
<b>NET ASSETS</b>		
Unrestricted	\$ 1,868,326	\$ 1,136,462
Temporarily restricted	1,474,326	1,330,776
	<u>3,342,652</u>	<u>2,467,238</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,346,731</b>	<b>\$ 2,470,124</b>

The accompanying notes are an integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**LOCAL INVESTMENT FUND  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>UNRESTRICTED REVENUE AND SUPPORT</b>		
Loraine Howard Property	\$ 301,670	\$ 153,025
R.D. Webb Property	214,597	142,192
Shelley Property	36,539	27,734
Trust Funds	7,574	9,670
Wills and bequests	395,671	123,153
Contributions and memorials	69,891	25,685
Contributions - employees	3,234	0
Interest income	2,378	118
Dividend income	829	464
Miscellaneous income	31,152	63,710
Gain on sale of assets	25,438	272,442
Capital campaign fund	417,966	1,232,991
	<u>\$ 1,506,939</u>	<u>\$ 2,051,184</u>
<b>EXPENSES</b>		
Administrative and general	\$ 145,646	\$ 174,828
Capital expenses	331,733	1,630,263
	<u>\$ 477,379</u>	<u>\$ 1,805,091</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 1,029,560</u>	<u>\$ 246,093</u>
<b>OTHER CHANGES IN NET ASSETS</b>		
Transfer (to) from Endowment Fund (Net)	(36,113 )	(86,416 )
Transfer (to) from Operating Fund (Net)	(261,583 )	334,683
	<u>\$ (297,696 )</u>	<u>\$ 248,267</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>\$ 731,864</u>	<u>\$ 494,360</u>
<b>CHANGE IN TEMPORARILY RESTRICTED ASSETS</b>		
Net realized and unrealized gain in investments	\$ 347,883	\$ (170,812 )
Contributions	(204,333 )	275,236
	<u>\$ 143,550</u>	<u>\$ 104,424</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ 875,414</u>	<u>\$ 598,784</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,467,238</u>	<u>1,868,454</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,342,652</u>	<u>\$ 2,467,238</u>

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**LOCAL INVESTMENT FUND  
STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions, wills and bequests	\$ 953,073	\$ 1,403,568
Income from trust funds	7,890	11,311
Interest received	2,378	117
Miscellaneous receipts	31,149	188,825
Dividends received	829	464
Receipts from investment properties	575,112	311,418
Cash paid to suppliers	<u>(144,453)</u>	<u>(155,816)</u>
Net cash provided by operating activities	<u>\$ 1,425,978</u>	<u>\$ 1,759,887</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Transfer (to) from Endowment Fund (Net)	\$ (36,113)	\$ 248,266
Capital purchases for Plant Fund	(331,733)	(1,630,263)
Transfers (to) from Operating Fund	(261,583)	
Proceeds from sale of assets	<u>37,057</u>	<u>89,073</u>
Net cash used by investing activities	<u>\$ (592,372)</u>	<u>\$ (1,292,924)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term debt	\$ 0	\$ 800,000
Payment of short-term debt	<u>0</u>	<u>(800,000)</u>
	<u>\$ 0</u>	<u>\$ 0</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 833,606</u>	<u>\$ 466,963</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>477,377</u>	<u>10,414</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,310,983</u>	<u>\$ 477,377</u>
<b>RECONCILIATION OF CHANGES TO NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 875,414	\$ 598,784
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Increase) Decrease in receivables and promises to give	105,547	(273,736)
Realized and unrealized gains on investments	75,554	101,630
Transfer to (from) other funds	297,697	(248,267)
Purchase of property and equipment	331,733	1,618,570
Non-cash wills and bequests	(272,328)	0
(Increase) Decrease in prepaid expenses	11,168	73,500
Increase (Decrease) in accounts payable	<u>1,193</u>	<u>(110,594)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 1,425,978</u>	<u>\$ 1,759,887</u>
<b>INTEREST PAID</b>	<u>\$ 0</u>	<u>\$ 15,580</u>

The accompanying notes are an  
integral part of this statement.



**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL FIXED ASSETS  
STATEMENTS OF FINANCIAL POSITION  
As of December 31, 2003 and 2002**

<b>ASSETS</b>	2003	2002
Autos, trucks and buses	\$ 463,291	\$ 399,356
Tractors and ground equipment	98,614	93,345
Furniture, fixtures and equipment	1,581,727	1,422,539
Building and improvements	8,915,266	8,866,294
Land and land improvements	72,538	72,538
	\$ 11,131,436	\$ 10,854,072
Less: Accumulated depreciation	(3,889,900 )	(3,411,298 )
	<b>\$ 7,241,536</b>	<b>\$ 7,442,774</b>
<b>INVESTMENT IN GENERAL FIXED ASSETS</b>		
Fund Balance - General Fixed Assets	\$ 7,241,536	\$ 7,442,774

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL FIXED ASSETS  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>EXPENSES</b>		
Provision for depreciation	\$ 538,007	\$ 491,627
<b>EXCESS OF EXPENSES OVER REVENUE</b>	\$ (538,007 )	\$ (491,627 )
<b>ACQUISITION OF PROPERTY AND EQUIPMENT WITH TRANSFERS FROM OTHER CURRENT FUNDS</b>	<u>336,769</u>	<u>1,644,128</u>
<b>CHANGE IN NET ASSETS</b>	\$ (201,238 )	\$ 1,152,501
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>7,442,774</u>	<u>6,290,273</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 7,241,536</u>	<u>\$ 7,442,774</u>

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL FIXED ASSETS  
STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2003 and 2002**

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$ 0	\$ 0
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	0	0
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 0	\$ 0
 <b>RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (201,238 )	\$ 1,152,501
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	538,007	491,627
Transfer from other funds	(336,769 )	(1,644,128 )
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 0	\$ 0

The accompanying notes are an  
integral part of this statement.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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

**Organization and Purpose**

Louisiana United Methodist Children and Family Services, Inc. is a Louisiana non-profit corporation owned by the Louisiana Annual Conference of the United Methodist Church. All powers and authority of Louisiana United Methodist Children and Family Services, Inc. (the Organization) shall be vested in and exercised by a Board of Directors and the property, business and affairs of the corporation shall be managed under the direction of the Board. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Louisiana United Methodist Children and Family Services, Inc. (sometimes doing business as "The Louisiana Methodist Children's Home") seeks to minister to the diverse needs of Louisiana's children and families experiencing stress, brokenness and other special circumstances. The Organization was formed for educational, eleemosynary literary, scientific, and charitable objectives and purpose. The Organization develops, administers and operates various residential and outpatient programs. These programs provide valuate, therapeutic, educational, recreational and social services for the youth and their families.

The Organization receives a significant portion of its revenue from grants/contracts from government agencies; thus, the Organization is subject to possible cutbacks due to changes in funding priorities. During 2003 and 2002, the Organization received approximately 66 and 76 percent, respectively, of its gross public support from such grants/contracts.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently restricted assets were held during 2003 and 2002 and accordingly, these financials do not reflect any activity related to this class of net assets for 2003 and 2002.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those assumed in valuing promises to give, the market values of investments, expected return on investments, estimated life expectancies, and the useful lives of depreciable assets. It is at least possible that the significant estimates will change within the next year.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**Donated Property and Services**

Donated securities and property are recognized at fair market value at the time the assets are made available to the Organization. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise.

**Plant and Equipment**

Fixed assets are recorded at cost if purchased or market value at time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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.

The Organization primarily receives only unrestricted contributions with the exception of certain bequests of future interest in testamentary trusts; these net assets are temporarily restricted by the donor until the trust matures at some future date and unconditional promises to give to be received in future periods.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Credit Risk**

The Organization maintains cash accounts in various institutions with locations in Ruston, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2003 and 2002, the Organization's uninsured cash balances totaled \$0 and \$0 with \$473,707 and \$502,104 secured by repurchase agreements.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEFINED CONTRIBUTION PLAN**

The Louisiana United Methodist Children and Family Services, Inc. sponsors full-time employees with more than twenty-four (24) months of service in the Lay Employee's Pension Fund of the United Methodist Church whereby it matches the employee's 3% minimum contribution two for one for a total cost to the Corporation of 6% of participating employees' gross earnings. Contributions by the Organization totaled \$147,038 for 2003 and \$113,281 for 2002.

**NOTE 3 - INVESTMENTS**

The Organization's investments and certain cash and cash equivalents are held primarily by a national investment banking and financial services company and managed by an investment advisor in accordance with the terms of an investment advisory agreement.

Generally, the investments are considered available for sale and because of this, investments in marketable equity securities and marketable debt securities are carried at market value. Investments in unlisted securities where market is not readily attainable are carried at cost. A recap of such debt and equity securities is as follows:

	<u>2003</u>	<u>2002</u>
<b>Local Investment Fund</b>		
Equity securities - cost	\$ 23,100	\$ 12,025
Net Income for years - Local Investment Fund		
Dividends received	\$ 829	\$ 464
<b>Endowment Fund - market</b>		
Cash equivalents	\$ 262,913	\$ 125,242
U.S. Government bonds and notes	945,814	1,211,987
Corporate bonds and notes		
Mutual funds and pooled funds	15,120,385	13,021,755
Foreign bonds, notes and equities	119,000	121,365
Equity securities	3,396,784	2,522,384
Accrued interest and ex-dividends	21,650	33,282
	<u>\$ 19,866,546</u>	<u>\$ 17,036,015</u>
Net Income For Years - Endowment Fund		
Interest	\$ 65,082	\$ 107,262
Dividends	111,936	91,119
Income from pooled funds	575,364	631,015
Realized and unrealized gains and losses	3,042,732	(3,868,543)
	<u>\$ 3,795,114</u>	<u>\$ (3,039,147)</u>

**Local Investment Fund**

In 1996, the Organization received a bequest from the Estate of Louise Briley Leake in the form of an interest in a testamentary trust whereby the income will be paid annually and the trust principal distributed to the Organization twenty-five years from the death of the donor. The bequest was recorded at fair value. Annual changes in fair value are reported as unrealized gain or loss and an increase in temporarily restricted assets. This trust fund was valued at \$705,063 and \$636,478 for 2003 and 2002, respectively.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - INVESTMENTS** (Cont'd)

During 2000, the Organization received a bequest from the Estate of Hattye Jordan. The Hattye Recoulley Jordan Charitable Remainder Unitrust has Hibernia National Bank as trustee and the Organization will receive the assets of the trust upon the death of a life recipient. The assets of the trust were valued based upon available market rates discounted for the life expectancy of the recipient. The market values of the trusts were \$287,500 and \$286,651 for 2003 and 2002, respectively. The discounted values were \$150,594 and \$145,282 for 2003 and 2002, respectively.

During 2001, the Organization received a gift annuity of \$100,000 from E.J. Bernard that named the children's home as the sole beneficiary. The United Methodist Foundation is the trustee of this annuity. The face amount of the gift has been discounted based upon the donor's age as of December 31, 2003. The discounted values of the gift were \$66,092 and \$64,434 for 2003 and 2002, respectively.

On May 4, 1991, the Organization received a bequest from the Estate of Georgia Westbrook Peniston. The "Georgia Westbrook Peniston and Henry Denipham Peniston - Children's Home Scholarship Trust" has the Bank One trust department as trustee. After two (2) special bequests of a time certain (which have been completed) there is one life recipient receiving \$1,000 per month. Upon the death of the life recipient the Organization will receive one-third (1/3) of the assets of the trust. The market value of the assets of this trust December 31, 2003 were \$913,401. The discounted one-third (1/3) interest of the assets of the trust were \$272,328.

The Organization records unrealized gains and losses of securities held by the various trusts in the Statement of Activities as increases or decreases in temporarily restricted net assets.

**Operating Fund**

During 2003, the Organization became a beneficiary of an Anonymous Charitable Lead Annuity Trust. Under the terms of the Trust the Organization will receive the sum of (\$2,500 quarterly) \$10,000 annually for ten (10) years. The gift has been discounted based upon the expected rate of return of 3.13%. The Bank One trust department is the trustee. The total discounted value as of December 31, 2003 was \$79,874.

**NOTE 4 - CONCENTRATION REVENUES AND ACCOUNTS RECEIVABLE**

Louisiana United Methodist Children and Family Services, Inc.'s residential treatment programs serve children primarily from Louisiana. Fees for these services are paid primarily by governmental agencies of Louisiana under contracts which the Organization executes annually. The Organization is reimbursed by the agencies for actual client days based on a per diem rate established in accordance with Louisiana law. The contracts may be terminated by either party with thirty days notice and are subject to the availability and appropriation of federal and/or state funds. Revenue from this service totaled \$4,641,168 and \$4,656,093 for 2003 and 2002, respectively.

Accounts receivable arise from the normal course of providing these services and are not secured. No allowance for uncollectible accounts has been provided for accounts receivable.

Promises to give - temporarily restricted are receivables from donors who have in writing committed to contribute to the Organization. Promises to give - temporarily restricted are pledges temporarily restricted to purchase capital assets and renovate existing buildings and facilities. Pledges expected to be received within the next twelve (12) months are classified as current assets. All pledges are expected to be received within the next five (5) years. (See Note 7.)

Management expects to receive all pledges, therefore there is no allowance for uncollectible promises to give.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - PLANT AND EQUIPMENT**

Fixed assets are recorded at cost if purchased or market value at time of donation.

The major categories of fixed assets are as follows:

<u>2003</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and improvements	\$ 72,538	\$ (22,910 )	\$ 49,628
Buildings and improvements	8,915,266	(2,861,195 )	6,054,071
Furniture and fixtures	1,215,223	(509,531 )	705,692
Office furniture and equipment	366,503	(197,428 )	169,075
Automobiles, trucks, and vans	463,292	(220,176 )	243,116
Tractors and other equipment	98,614	(78,660 )	19,954
Totals	<u>\$11,131,436</u>	<u>\$ (3,889,900 )</u>	<u>\$ 7,241,536</u>

<u>2002</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and improvements	\$ 72,538	\$ (21,966 )	\$ 50,572
Buildings and improvements	8,866,294	(2,590,139 )	6,276,155
Furniture and fixtures	1,095,365	(390,185 )	705,180
Office furniture and equipment	327,174	(120,638 )	206,536
Automobiles, trucks, and vans	399,356	(213,918 )	185,438
Tractors and other equipment	93,345	(74,452 )	18,893
Totals	<u>\$10,854,072</u>	<u>\$ (3,411,298 )</u>	<u>\$ 7,442,774</u>

The depreciation expense was \$538,007 and \$491,627 for the years ended December 31, 2003 and 2002, respectively.

The following is a summary of depreciable lives by category based on a straight-line method of depreciation:

Land and improvements	20 and 30 years
Building and improvements	5, 10, 15, 20, 25, 30, 40, and 50 years
Furniture and fixtures	3, 5, 10, 15, and 25 years
Office furniture and equipment	3, 5, 10, 15, and 25 years
Automobiles, trucks and vans	5 and 10 years
Tractors and other equipment	5 and 10 years

**2003 Donated Assets**

Asset additions included a 1987 Holiday Rambler Imperial Motor Home donated with an estimated market value of \$20,850 and a 1991 Toyota pickup truck donated with an estimated market value of \$1,450 during December, 2003.

Asset additions also included furniture donated with an estimated market value of \$18,259 during December, 2003 for the James House.



**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

Independent Living Services Program consists of two contracts. Contract A is a nonmatching program with 100% reimbursement for personnel and related benefits cost. These cost are classified directly as independent living services expenditures in the financial statements. Contract B is a 50/50 matching program in which the organization is reimbursed for expenditures equal to its inkind or cash contribution. These costs are allocated to independent living based on detailed ledgers maintained by the organization. These cost consists of allocated portions of administrative overhead, salaries and related benefits; travel; operating services supplies; professional services capital outlay and miscellaneous. The organization does not reclassify these allocated portions as independent living services expenditures for financial statement purposes. Total revenue from this service totaled \$128,173 and \$129,946 for 2003 and 2002, respectively.

The Child Abuse Counseling Program subgrant requires a 20% match and the Violence Prevention Program subgrant is a nonmatching program with 100% reimbursement for personnel, related benefits and contract services. Revenue from this program totaled \$25,300 and \$31,317 for 2003 and 2002, respectively.

**NOTE 7 - RELATED PARTY**

The unconditioned promises to give - temporarily restricted as of December 31, 2003 includes a total of \$23,515 in pledges by employees and officers of the Organization. Total contributions received from employees totaled \$3,234 during 2003. Of the \$23,515, \$21,927 of the pledges are due within twelve (12) months and \$1,588 of the pledges are due after twelve (12) months.

**NOTE 8 - LAWSUITS**

The Organization was involved in the following lawsuits as of December 31, 2003:

"Jamie S. Benoit, Individually and on behalf of her minor daughter, Janna Benoit v. Jason Lorenzo Brown and Louisiana United Methodist Children and Family Service, Inc." filed November 6, 2002 by petition for damages. The Organization is vigorously contesting liability and damages at this time. Management has determined that any liability should be covered by applicable liability insurance.

"Mary Fricken Mooney, Individually and on behalf of her minor child, Shannon Leigh Lambert v. State of Louisiana through the Office of Community Services and the Department of Social Services" filed August 23, 2002 by petition. This lawsuit involves an original claim by the minor against the State of Louisiana for improper placement of the minor at the Organization. On May 1, 2003, the state filed a Third Party Demand against the Organization *alleging inadequate supervision and also claiming indemnity pursuant to a licensing agreement.* The state filed an Amended Third Party Demand on January 13, 2004. The Organization, through its general liability insurer's attorney is vigorously contesting liability and damages. Management's position is that the Organization's liability (if any) should be covered by applicable liability insurance. The Organization has filed a Motion for Summary Judgement on the Third Party Demand contending that the Minor has made no claims against the Organization.

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - NET ASSETS - TEMPORARILY RESTRICTED**

The balances of Net Assets - Temporarily restricted consists of the following:

	<u>2003</u>	<u>2002</u>
Operating Fund		
Long Term Investments		
Anonymous Charitable Lead Annuity Trust	\$ 79,874	\$ 0
Local Investment Fund		
Current Assets		
Promises to give - temporarily restricted	201,511	424,746
Other Assets		
Promises to give - temporarily restricted	78,738	59,836
Long - Term Investments		
Leake Testamentary Trust	705,063	636,478
H. R. Jordan Charitable Reminder Trust	150,594	145,282
E. J. Bernard (\$1000,000 face) annuity	66,092	64,434
G. W. Peniston Home Scholarship Trust	<u>272,328</u>	<u>0</u>
Balances at year end	<u>\$ 1,554,200</u>	<u>\$1,330,776</u>

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**INDEPENDENT AUDITORS' REPORT ON  
THE SUPPLEMENTARY DATA**

**Board of Directors**  
**Louisiana United Methodist Children**  
**and Family Services, Inc.**  
**Ruston, Louisiana**

Our report on our audit of the basic financial statements, as listed in the table of contents of Louisiana United Methodist Children and Family Services, Inc. for 2003 and 2002 appears on Page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the comptroller of the United States for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of additional details are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Minchew, Robinson, Gardner,  
Langston & Bryan, CPAs*

April 29, 2004

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	2003	2002
<b>REVENUE AND SUPPORT</b>		
Contributions		
Contributions - undesignated	\$ 172,561	\$ 104,982
Memorials	138,400	139,541
Direct appeals	161,224	113,339
Sponsorships	29,912	29,862
Honorarium	33,990	26,247
Wilderness project donations	2,322	2,850
Century Club	10,803	15,559
Special gifts	715	4,245
Family Plus	500	300
United Way	98	16
Capital campaign	0	13,000
	<u>\$ 550,525</u>	<u>\$ 449,941</u>
Total contributions		
Children's Home Offerings	<u>\$ 88,333</u>	<u>\$ 79,995</u>
Special Events	<u>\$ 23,145</u>	<u>\$ 37,739</u>
Child Care Support		
Child care support (TIPS)	\$ 1,858,562	\$ 1,832,320
Child care support (DOC)	382,396	432,141
Child care support (CAB)	2,209,623	2,194,819
Child care support (Private)	55,088	99,723
Alternate care	135,499	97,090
	<u>\$ 4,641,168</u>	<u>\$ 4,656,093</u>
Total child care support		
Independent Living Service		
Independent Living Grants	<u>\$ 128,173</u>	<u>\$ 129,946</u>
Federal Subgrants		
Child Abuse Counseling	\$ 25,300	\$ 31,317
Youths in transition/mentoring	2,043	25,217
	<u>\$ 27,343</u>	<u>\$ 56,534</u>
Family Plus-LA Conference Foundation Grant	<u>\$ 59,537</u>	<u>\$ 8,601</u>
Family Development Services		
Client fees	\$ 35,331	\$ 37,374
Evaluation fees	10,260	6,584
	<u>\$ 45,591</u>	<u>\$ 43,958</u>
Total family development		

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	2003	2002
<b>REVENUE AND SUPPORT (Cont'd)</b>		
Trust Funds		
Pomeroy Trust	\$ 2,217	\$ 2,217
R. J. Wilson Trust	7,086	7,211
Conference Fund Trusts	10,420	6,175
Leake Trust	30,897	32,574
Ed and Gladys Hurley Trust	4,000	2,000
Hearne Family Trust	5,532	0
	<u>\$ 60,152</u>	<u>\$ 50,177</u>
<b>INTEREST AND DIVIDENDS</b>	<u>\$ 26,275</u>	<u>\$ 18,050</u>
<b>OUTDOOR WILDERNESS PROJECT INCOME</b>	<u>\$ 52,380</u>	<u>\$ 31,454</u>
<b>MISCELLANEOUS INCOME</b>	<u>\$ 44,681</u>	<u>\$ 17,607</u>
<b>TOTAL INCOME</b>	<u>\$ 5,747,303</u>	<u>\$ 5,580,095</u>
<b>EXPENSES</b>		
<b>Administrative and General</b>		
Salaries	\$ 666,944	\$ 620,729
Payroll taxes	46,054	45,465
Employee benefits	97,009	91,008
Advertising and promotion	964	1,591
Dues and licenses	7,140	3,135
Insurance	225,432	174,867
Office supplies	21,207	20,195
Printing	244	0
Postage	6,053	10,217
Professional services	21,150	15,950
Legal expenses	1,916	1,275
Subscriptions	1,386	1,291
Telephone	35,898	38,839
In-service training	3,517	1,590
Travel and seminar	10,618	8,191
Miscellaneous	4,793	2,056
Office equipment maintenance contracts	24,080	19,601
Accreditation	4,190	11,601
Project donations disbursements	0	0
	<u>\$ 1,178,595</u>	<u>\$ 1,067,601</u>

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	2003	2002
<b>EXPENSES (Cont'd)</b>		
<b>Plant Operation and Maintenance</b>		
Salaries	\$ 103,226	\$ 94,622
Payroll taxes	7,700	7,070
Employee benefits	9,440	8,906
Contract for outside services	32,159	33,503
Maintenance - buildings and grounds	6,229	7,418
Repairs - buildings and grounds	30,017	28,894
Major repairs and replacements	8,484	13,803
Supplies	3,203	5,875
Utilities	275,396	235,993
Vehicle gas, oil and repairs	28,934	35,576
Miscellaneous	0	54
	<b>\$ 504,788</b>	<b>\$ 471,714</b>
<b>Medical and Nursing</b>		
Salaries	\$ 98,818	\$ 89,093
Payroll taxes	6,915	6,716
Employee benefits	13,546	9,220
Medical service - routine res	900	367
Medical service - routine ESC-CAB	178	0
Medical service - extraordinary - res	1,286	493
Medical service - extraordinary - ESC-F	157	60
Medical service - extraordinary - ESC-CAB	429	126
Medical supplies - res	8,769	11,264
Medical supplies - ESC-F	2,574	3,324
Medical supplies - ESC-M	1,253	418
Medical supplies - CAB	1,374	3,651
Training	317	123
Employee drug screens	4,125	425
OSHA required vaccination	3,798	2,550
Psychiatrist - res	19,614	16,581
Psychiatrist - CAB	19,615	16,013
	<b>\$ 183,668</b>	<b>\$ 160,424</b>
<b>Dietary</b>		
Salaries	\$ 155,234	\$ 138,612
Payroll taxes	11,679	10,977
Employee benefits	21,975	17,027
Food - res	121,384	120,759
Food - ESC - Females	53,989	53,210
Food - ESC - Males	51	0
Food - CAB	57,227	72,412
Food - Special	6,654	11,644
Supplies	12,954	9,986
Dietitian consultant	5,400	5,400
Training	0	432
Miscellaneous	25	281
	<b>\$ 446,572</b>	<b>\$ 440,740</b>
<b>Total Dietary</b>		

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	2003	2002
<b>EXPENSES (Cont'd)</b>		
<b>Emergency Shelter Care - Females</b>		
Housekeeping		
Salaries	\$ 4,055	\$ 474
Payroll taxes	0	144
Employee benefits	720	1,200
Supplies	6,474	5,633
	\$ 11,249	\$ 7,451
Laundry and Linen		
Supplies	\$ 1,542	\$ 971
Linen and bedding	165	834
	\$ 1,707	\$ 1,805
Personal Client Needs		
Allowances	\$ 2,233	\$ 3,080
Personal hygiene	2,375	3,378
Clothing	2,871	2,443
Other	849	0
	\$ 8,328	\$ 8,901
Therapeutic and Training		
Salaries - clerical	\$ 7,100	\$
Salaries - child care worker	424,791	384,186
Payroll taxes	32,035	28,614
Employee benefits	26,950	23,276
Miscellaneous	2,343	2,962
	\$ 493,219	\$ 439,038
	\$ 514,503	\$ 457,195
<b>Residential Group Care</b>		
Housekeeping		
Supplies	\$ 16,507	\$ 21,322
Linen and bedding	698	522
Miscellaneous	124	0
	\$ 17,329	\$ 21,844
Personal Client Needs		
Allowance	\$ 10,268	\$ 10,273
Personal hygiene	6,505	9,636
Christmas and birthdays	1,575	13
Clothing	24,320	18,244
Visitation and transportation	8,856	6,639
	\$ 51,524	\$ 44,805
Therapeutic and Training		
Salaries - child care	\$ 544,624	\$ 593,886
Payroll taxes	40,540	46,114
Employee benefits	23,275	22,555
Miscellaneous	3,873	394
Training	1,269	2,443
	\$ 613,581	\$ 665,392

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	2003	2002
<b>EXPENSES (Cont'd)</b>		
<b>Residential Group Care (Cont'd)</b>		
Recreational		
Supplies	\$ 42	\$ 230
House activities fund	2,611	2,344
	\$ 2,653	\$ 2,574
<b>Total recreational</b>		
	\$ 685,087	\$ 734,615
<b>Recreational</b>		
Salaries	\$ 144,652	\$ 133,368
Payroll taxes	10,432	9,446
Employee benefits	16,487	15,464
Supplies	6,634	3,653
Activities fund	4,813	2,167
Training	714	829
Miscellaneous	53	179
Summer trip	4,562	7,244
Golf tournament	0	106
	\$ 188,347	\$ 172,456
<b>Total recreational</b>		
<b>Educational Services</b>		
Salaries	\$ 313,738	\$ 303,161
Payroll taxes	23,838	21,448
Employee benefits	50,145	35,305
School fees and tutorial	2,609	4,016
Supplies	9,411	12,726
Other	6,663	4,988
	\$ 406,404	\$ 381,644
<b>Total educational services</b>		
<b>Pastoral Care</b>		
Salaries	\$ 41,245	\$ 41,902
Payroll taxes	633	691
Employee benefits	18,980	17,434
Housing allowance	14,400	14,400
Supplies	2,717	3,320
Activities	303	100
Training	99	0
Travel	318	54
	\$ 78,695	\$ 77,901
<b>Total pastoral care</b>		



**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

	2003	2002
<b>EXPENSES (Cont'd)</b>		
<b>Family Development Service</b>		
Salaries	\$ 214,031	\$ 209,066
Payroll taxes	16,414	15,866
Employee benefits	13,438	19,302
Supplies	1,588	1,958
Professional services	4,498	1,456
Travel	1,429	2,456
Professional training	2,977	2,969
Miscellaneous	82	106
Stipend payments	4,404	0
	<b>\$ 258,861</b>	<b>\$ 253,179</b>
<b>Clinical Services</b>		
Salaries	\$ 419,194	\$ 409,821
Payroll taxes	30,460	29,380
Employee benefits	40,972	42,111
Therapeutic supplies	716	1,745
Training	3,880	4,983
	<b>\$ 495,222</b>	<b>\$ 488,040</b>
<b>Life Skills Service</b>		
Salaries	\$ 86,730	\$ 85,386
Payroll taxes	5,344	5,776
Employee benefits	11,548	11,402
Contract services - custodial	3,697	3,519
Incentive pmt. to clients	800	2,900
Travel and seminar	9,159	6,665
Equipment and furnishing	0	608
Supplies	9,574	11,348
Operation service equipment	2,052	1,450
Youth activity	100	0
Training meals	740	102
Miscellaneous	4,780	10,683
Education register fee	873	0
Telephone	200	376
Mentor stipend	2,500	0
	<b>\$ 138,097</b>	<b>\$ 140,215</b>
<b>Total life skills services</b>	<b>\$ 138,097</b>	<b>\$ 140,215</b>

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

<b>EXPENSES (Cont'd)</b>	<u>2003</u>	<u>2002</u>
<b>Outdoor Wilderness Learning</b>		
Salaries	\$ 75,266	\$ 73,275
Payroll taxes	5,263	4,991
Employee benefits	9,048	7,076
Training and challenge course	5,337	2,942
Utilities	9,532	6,081
Supplies - O.W.L.	6,768	7,463
Supplies - farm	12,554	12,246
Equipment and repair	2,231	3,027
Hot house supplies	14,387	6,885
Miscellaneous	1,688	250
	<hr/>	<hr/>
<b>Total outdoor wilderness learning</b>	<b>\$ 142,074</b>	<b>\$ 124,236</b>
	<hr/>	<hr/>
<b>Public Relations and Development</b>		
Salaries	\$ 157,787	\$ 108,816
Payroll taxes	11,408	5,113
Employee benefits	8,116	16,789
Housing allowance	0	9,837
Supplies	3,791	1,933
Telephone	2,837	(11 )
Webb page	634	345
Printing - direct	52,069	38,941
Printing - offerings	6,802	6,516
Printing - special	9,155	11,106
Postage	16,533	17,754
Professional fees	1,614	0
Travel and seminar	5,848	3,783
Professional training	1,917	1,152
Regional development activities	2,390	891
Special events	13,416	656
Miscellaneous	359	0
Contract services	12,445	11,787
	<hr/>	<hr/>
<b>Total public relations and development</b>	<b>\$ 307,121</b>	<b>\$ 235,408</b>
	<hr/>	<hr/>
<b>C. A. B. Program</b>		
Housekeeping		
Salaries	\$ 26,138	\$ 24,359
Payroll taxes	1,955	1,843
Employee benefits	0	5,521
Supplies	8,521	12,411
Linen and bedding	0	594
	<hr/>	<hr/>
<b>Total housekeeping</b>	<b>\$ 36,614</b>	<b>\$ 44,728</b>

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002**

<b>EXPENSES (Cont'd)</b>	<u>2003</u>	<u>2002</u>
<b>C. A. B. Program (Cont'd)</b>		
Personal Client Needs		
Allowance	\$ 5,902	\$ 5,600
Personal hygiene	3,324	3,805
Christmas and birthdays	787	64
Clothing	11,582	9,603
Miscellaneous	61	0
	<hr/>	<hr/>
Total personal client needs	\$ 21,656	\$ 19,072
Therapeutic and Training		
Salaries - clerical	\$ 17,997	\$ 18,459
Salaries - child care workers	1,062,554	1,026,941
Payroll taxes	79,873	81,217
Employee benefits	48,240	41,938
Supplies	2,728	4,060
Training	1,247	3,703
Activities	981	1,416
Miscellaneous	3,024	1,945
	<hr/>	<hr/>
Total therapeutic and training	\$ 1,216,644	\$ 1,179,679
<b>Total C. A. B program</b>	<u>\$ 1,274,914</u>	<u>\$ 1,243,479</u>
<b>Family Plus</b>		
Baton Rouge Region		
Salaries	\$ 32,603	\$ 36,536
Payroll taxes	2,712	4,446
Employee benefits	3,483	443
Supplies	2,302	1,638
Office expense	1,525	1,235
Telephone	2,664	1,506
Travel	4,000	6,393
Training	1,200	260
Office equipment	0	169
	<hr/>	<hr/>
Total Baton Rouge Region	\$ 50,489	\$ 52,626
North Louisiana Region		
Salaries	\$ 58,269	\$ 65,419
Payroll taxes	3,923	3,547
Employee benefits	8,052	7,376
Postage	111	0
Supplies	1,238	662
Telephone	1,711	896
Travel	4,305	1,904
Training	1,768	3,148
Printers	0	2,447
	<hr/>	<hr/>
Total North Louisiana Region	\$ 79,377	\$ 85,399
<b>Total Family Plus</b>	<u>\$ 129,866</u>	<u>\$ 138,025</u>

LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.

GENERAL OPERATING FUND DETAIL  
STATEMENTS OF ACTIVITIES  
For The Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>EXPENSES (Cont'd)</b>		
<b>Capital Expenditures</b>		
Furniture and fixtures	\$ 5,036	\$ 13,865
<b>Total Capital Expenditures</b>	<u>\$ 5,036</u>	<u>\$ 13,865</u>
<b>Total Expenses</b>	<u>\$ 6,937,850</u>	<u>\$ 6,600,737</u>

**LOUISIANA UNITED METHODIST CHILDREN  
AND FAMILY SERVICES, INC.**

**STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
For The Year Ended December 31, 2003**

	Land and Improvements	Buildings and Improvements	Autos, Furniture, and Equipment	Total
<b>GENERAL FIXED ASSETS - BEGINNING OF YEAR</b>	\$ 72,538	\$ 8,866,294	\$ 1,915,240	\$ 10,854,072
<u>Additions</u>				
General Operating Fund	\$ 0	\$ 0	\$ 5,036	\$ 5,036
Local Investment Fund	0	48,972	282,761	331,733
Total additions	\$ 0	\$ 48,972	\$ 287,797	\$ 336,769
<u>Retirements</u>				
General Fixed Assets	\$ 0	\$ 0	\$ (59,405)	\$ (59,405)
<b>GENERAL FIXED ASSETS- END OF YEAR</b>	<u>\$ 72,538</u>	<u>\$ 8,915,266</u>	<u>\$ 2,143,632</u>	<u>\$ 11,131,436</u>

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

To the Board of Directors of  
Louisiana United Methodist Children and Family Services, Inc.

We have audited the financial statements of Louisiana United Methodist Children and Family Services, Inc. ( a nonprofit organization) as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon, dated April 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Louisiana United Methodist Children and Family Services, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct 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 obtained an understanding of the Louisiana United Methodist Children and Family Services, Inc.'s internal control over financial reporting in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Louisiana Methodist Children and Family Services, inc. ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-1.

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

To the Board of Directors of  
Louisiana United Methodist Children and Family Services, Inc.  
page 2

period by the employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Minchew, Robinson, Gardner,  
Langston & Bryan, CPAs*

April 29, 2004

**Louisiana United Methodist Children and Family Services, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2003**

We have audited the financial statements of the Louisiana United Methodist Children and Family Services, Inc. As of and for the year ended December 31, 2003, and have issued our report thereon dated April 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2003, resulted in an unqualified opinion.

**Internal Controls Over Financial Reporting- Reportable Conditions**

**2003-1 Segregation of Duties**

**Condition**

For the year ended December 31, 2003 the duties of reconciling the cash accounts are assigned to the same employee that is responsible for receiving certain checks through the mail, preparing deposits and maintaining the general ledger. Cash accounts were not reconciled during the fiscal year ended December 31, 2003.

**Recommendation**

The duties of reconciling the bank accounts should be assigned to someone independent of other cash functions. Cash reconciliation is a vital internal control procedure, and should be performed on a timely basis.

**Management's Response**

Management agrees with the recommendation.

**Corrective Action**

Subsequent to the December 31, 2003 year end, management has implemented controls that will ensure the segregation of duty and timely completion of cash reconciliation. Currently, cash reconciliations are being performed on a timely basis by someone independent from general ledger functions.



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**APPENDIX TO REPORT ON COMPLIANCE AND  
INTERNAL CONTROLS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Responsibility of Management**

The management of Louisiana United Methodist Children and Family Services, Inc. is responsible for compliance with laws, regulations, contracts, and grants applicable to Louisiana United Methodist Children and Family Services, Inc., and for establishing and maintaining internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and 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.

**Definitions**

*Reportable conditions* involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Louisiana United Methodist Children and Family Services, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements.

*A material weakness* is a reportable condition in which the design or operation of internal control does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited could occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Minchew, Robinson, Gardner, Langston & Bryan, CPAs*

April 29, 2004

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April 29, 2004

To the Management and  
The Board of Directors of  
Louisiana United Methodist Children and Family Services, Inc.

In planning and performing our audit of the financial statements of Louisiana United Methodist Children and Family Services, Inc. For the year ended December 31, 2003, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We reported on the Organization's internal control in our report dated April 29, 2004. This letter does not affect our report dated April 29, 2004, on the financial statements of Louisiana United Methodist Children and Family Services, Inc..

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various organizations personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### Cash Accounts

For the fiscal year ended December 31, 2003 the employee responsible for receiving certain checks, preparing deposits and maintaining the general ledger, also was responsible for performing the bank reconciliation. These responsibilities are consider incompatible duties, because it could delay the detection of error or fraud by the organization. Internal controls over cash accounts would be greatly improved if cash reconciliations were performed by an employee independent of the general ledger function.

During the fiscal year cash reconciliations were not performed. Timely cash reconciliations by an employee independent of the general ledger function is a vital internal control procedure. Error or fraud may occur and not be detected by the organization when cash reconciliations are not performed on a periodic timely basis by an employee independent of the general ledger function. Failure to complete timely cash reconciliations is considered to be a reportable condition as noted in the *Report on Compliance and Internal Controls Over Financial Reporting* included with the audit report dated April 29, 2004.

#### Account Receivables

Invoices to families for private care services were not accounted for as an account receivable when invoiced. The charges for these services should be accounted for as an account receivable at the time of billing, and the associated revenue from the billed services should be recognized. An allowance for doubtful accounts should also be accounted for at the time of billing based on historical collections of these accounts, and

To the Management and  
To the Board of Directors of  
Louisiana United Methodist Children and Family Services, Inc.  
April 29, 2004  
page 2

management believes to be reasonable based on their experience and expertise in these collections. For the fiscal period ended December 31, 2003 these receivables were immaterial to the financial statements as a whole, but failure to account for these services as an account receivable could result in misleading financial statements in future periods.

Currently, pledge receivables are not separated between employees and non-employees. Keeping these pledge receivables separated on a monthly basis would produce a monthly disclosure of related party transactions.

Pledge receivables should also be separated between current assets and those considered to be other assets. All pledge receivables expected to be received within twelve months should be consider current assets, and all pledge receivables expected to be received after twelve months should be consider other assets. Distinguishing between the two types of pledge receivables will give the organization more reliable financial information that can be used internally for planning, and externally for financial reporting.

#### Noncash Contributions

During the audit we found that noncash contributions were not recorded timely and in some instances the proceeds of subsequent sales were recorded without recognizing the contribution. Contributions such as vehicles, trucks and vans were not always recorded upon receipt. Contributions should be recorded when received and valued by an independent source. Donor provided values should not be used unless it is confirmed with an independent source. In the case of vehicles, trucks and vans internet sources such as Kelley Blue Book ([www.kbb.com](http://www.kbb.com)) or National Automobile Dealer Association ([www.nada.com](http://www.nada.com)) can be used as an independent valuation source, and currently are free services. The independent valuation and immediate recognition of donated noncash assets will ensure appropriate inclusion in the financial statements on an timely basis.

Donated securities are currently being sold when received and treated as a gain in the organization's portfolio. Donated securities should be recorded as a contribution at the time of receipt and recorded at fair value on the date of receipt. When these securities are later sold a gain or loss will be recognized as the net proceeds of the sale less the fair value on date of receipt.

#### Payroll

During the audit it came to our attention that federal payroll reporting was not reconciled to the general ledger. Internal control over the payroll function would be improved if the general ledger and federal payroll reports were reconciled by an employee independent of the payroll function. This procedure would reduce the risk of errors and fraud in the payroll function, and provide a necessary control.

#### Endowment Fund

The endowment fund's activity was recorded on a yearly basis. We recommend that the endowment fund activity be recorded on a monthly basis. This would ensure that all endowment fund activity is recorded and reported properly. A periodic timely reconciliation of interfund transfers between this fund and other funds would improve the internal control system.

#### Fixed Asset Fund

Activity in the fixed asset fund was being recorded on a yearly basis. We recommend that the fixed asset fund activity be report on a monthly basis and that depreciation expense also be recorded on a monthly basis. This would ensure that all activity is recorded and reported properly. This would facilitate a timely reconciliation of interfund transfers between this fund and the other funds.

We also recommend that the detail schedule of fixed assets be reviewed for obsolete or discarded assets, and timely adjusted. This would prevent the possibility of overstating fixed assets on the financial statements.

To the Management and  
To the Board of Directors of  
Louisiana United Methodist Children and Family Services, Inc.  
April 29, 2004  
page 3

#### Wills and Bequests Revenue

We also noted that bequests of a future interest in a testamentary trust were not recorded until year end. Bequests of a future interest in a testamentary trust should be reported immediately upon notification. These bequests should be recorded at present fair market value, and recognized as a current temporarily restricted contribution.

#### Investment in a Closely Held Corporation

We noted during the current year audit that an investment in a S corporation was not recorded in the general ledger. Upon signing the Form 2553 the Organization elected to report the earnings of the corporation. To date the 2002 and 2003 years income had not been recorded in the general ledger. The dividends received from the corporation were recorded as dividend income. We recommend that income and expense from the K-1 of S corporations are accounted for on the equity method be reported in the general ledger. For these S corporations we also suggest that the dividends be treated as a reduction in the basis of the stock on the general ledger. In this instance the difference was negligible in the financial statements, but may be significant in future years.

We wish to thank management, the accounting department, and all the employees of the Louisiana United Methodist Children and Family Services, inc. for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Minchew, Robinson, Gardner,  
Langston & Bryan, CPAs*



M E T H O D I S T

*children's home*

**MEMORANDUM**

**To:** Legislative Auditor

**From:** Terrel DeVille, President/CEO

**Date:** May 19, 2004

**Subject:** Annual Audit Report for Fiscal Year 2003

After reviewing the Annual Audit and the attached letter of Management to the Board of Directors and the Management, we agree and concur with all reports and recommendations. All recommendations made in the Management letter have been or will be implemented at the earliest possible date. Procedures are being published to accomplish the Management Letter objectives and copies will be shared with each Board Member and with the CPA firm.

If you require any additional information, please give me a call.

*"Join the Healing Ministry"*

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*an agency of Louisiana United Methodists, founded 1902, serving children, youth, and families*