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

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

10

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

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

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#### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>

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.

Minichew, Robernson, Dardner Tangstin & Bryan, CPAs

April, 29, 2004

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

		General Operating Fund	E	ndowment Fund	 Local Investment <u>Fund</u>	General Fixed <u>Assets</u>	Total All Funds <u>2003</u>		Total All Funds <u>2002</u>
ASSETS									
Current Assets Cash and cash equivalents Accounts & cost reimb. rec. Prepaid expenses Promises to give - temp. restricted Promises to give - temp. restricted (officers	\$	371,450 450,174 73,762	\$	262,913 21,650	\$ 1,310,983 16,386 179,584	\$	\$ 1,945,346 488,210 73,762 179,584	\$	872,808 659,793 67,514 424,746
and employees)					 21,927		<u>21,9</u> 27		
Total current assets	<u>\$</u>	895,386	<u>\$</u> _	284,563	\$ 1,528,880	\$	<u>\$ 2,708,829</u>	<u>\$</u>	2,024,861

Other Assets Promises to give - temp. restricted Promises to give - temp. restricted (officers and employees)	\$		\$	\$ 77,150 <u>1,588</u>	\$	\$	77,150 <u>1,588</u>	\$	59,836
Total other assets	<u>\$</u>		<u>\$</u>	\$ <u>78,738</u>	<u>\$</u>	\$	78,738	\$	59,836
Long-Term Investments Stocks, bonds and notes Investment property Trust funds - temporarily restricted	\$	<u>79,874</u>	\$ 19,581,983	\$ 23,100 521,936 <u>1,194,077</u>	\$	-	9,605,083 521,936 1, <u>273,9</u> 51	\$	16,889,516 521,936 846,194
Total long-term investments	<u>\$</u>	<u>79,87</u> 4	<u>\$ 19,581,983</u>	\$ 1,739,113		<u>\$2</u> 3	1,400,970	<u>\$</u>	18,257,646
Property and Equipment Land and improvements Property, plant and equipment Less: Accumulated depreciation	\$		\$	\$ 	\$      72,538 11,058,898 <u>(3,889,900)</u>		72,538 1,058,898 3,889, <u>9</u> 00)	\$	72,538 10,781,534 <u>(3,411,298</u> )
Total property and equipment	<u>\$</u>		<u>\$</u>	\$ 	<u>\$ 7,241,536</u>	\$ 7	7,241,536	<u>\$</u>	<u>7,442,774</u>
Total Assets	<u>\$</u>	<u>975,260</u>	<u>\$ 19,866,546</u>	\$ 3,346,731	<u>\$ 7,241,536</u>	\$3	1,430 <u>,073</u>	<u>\$</u>	<u>27,785,117</u>
LIABILITIES									
Current Liabilities Accounts payable Accrued compensation	\$	91,733 <u>301,511</u>	\$	\$ 4,079	\$	\$	95,812 <u>301,511</u>	\$	84,027 <u>285,790</u>
Total current liabilities	<u>\$</u>	<u>393,244</u>	<u>\$</u>	\$ 4,079	\$	\$	397,323	\$	369,817
Net Assets Unrestricted Temporarily restricted	\$	502,142 <u>79,8</u> 74		\$ 1,868,326 1,474,326	\$ 7,241,536	\$2	9,478,550 <u>1,554,200</u>	\$	26,084,524 <u>1,330,776</u>

Total net assets

**Total Liabilities and Net Assets** 

# <u>\$ 582,016 \$19,866,546 \$3,342,652 \$7,241,536 \$31,032,750 \$27,415,300</u>

<u>975,260 \$19,866,546 \$3,346,731 \$7,241,536 \$31,430,073 \$27,785,117</u>

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

		General Operating Fund	E	ndowment Fund		Local Investment Fund		General Fixed Assets	Total All Funds 2003		Total All Funds 2002
UNRESTRICTED SUPPORT AND REVENUE Contributions Children's home offerings Wills and bequests Child care support Independent living services Grants for child care Family development services	\$	550,525 88,333 4,641,168 128,173 86,880 35,331	\$		\$	491,091 395,671	\$		\$ 1,041,616 88,333 395,671 4,641,168 128,173 86,880 35,331	\$	1,708,617 79,995 123,153 4,656,093 129,946 65,135 37,374
Trust funds Interest income Dividend and pooled funds income Miscellaneous Net realized and unrealized gain (loss)		60,152 7,275 19,000 130,466		65,082 687,300		7,574 2,378 829 31,152			67,726 74,735 707,129 161,618		59,847 108,417 739,611 157,094
on investments Other investment income				3,042,732		25,438 <u>552,806</u>			3,068,170 552,806		(3,596,101) <u>322,951</u>
	<u>\$</u>	5,747,303	\$	3,795,114	\$	1,506,939	\$		\$11,049,356	\$	4,592,132
EXPENSES Administrative and general Plant operation and maintenance Medical and nursing Dietary Emergency shelter care Residential group care Recreational Educational services Pastoral care Family development service Clinical services Life skills service Outdoor wildemess learning Public relation and development Family plus Changing attitudes and behavior Provision for depreciation	\$	1,178,595 504,788 183,668 446,572 514,503 685,087 188,347 406,404 78,695 258,861 495,222 138,097 142,074 307,121 129,866 1,274,914	\$	38,863	\$	145,646	\$	<u>538,007</u>	<pre>\$ 1,363,104 504,788 183,668 446,572 514,503 685,087 188,347 406,404 78,695 258,861 495,222 138,097 142,074 307,121 129,866 1,274,914 538,007</pre>	\$	1,281,405 471,714 160,424 440,740 457,195 734,615 172,456 381,644 77,901 253,179 488,040 140,215 124,236 235,408 138,025 1,243,479 491,627 7,292,303
	<u> </u>	6,932,814	<u> </u>	30,003	<u> </u>	140,040	_Ψ		<u> </u>	_Ψ_	1,202,000
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$</u>	(1,185,511)	) \$	3,756,251	\$	1,361,293	\$	(538,007)	\$ 3,394,026	\$	<u>(2,700,171</u> )
CHANGE IN ASSETS FROM OPERATIONS	\$	(1,185,511)	)\$	3,756,251	\$	1,361,293	\$	(538,007)	\$ 3,394,026	\$	(2,700,171)
OTHER CHANGES IN NET ASSETS Property and equipment acquisitions and transfers Operating transfers Endowment transfers	\$	(5,036 1,223,416	-	(961,833) <u>36,113</u>	\$	(331,733 (261,583) <u>(36,113)</u>		336,769	\$	\$	
CHANGE IN UNRESTRICTED NET ASSETS	\$	32,869	\$	2,830,531	\$	731,864	\$	(201,238)	\$ 3,394,026	\$	(2,700,171)

#### CHANGE IN TEMPORARILY **RESTRICTED NET ASSETS**

Net realized and unrealized gain on investments Contributions

INCREASE (DECREASE) IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

s 	79,874			347,883 (204,333)			347,883 (124,459)	(170,812) <u>275,236</u>
\$	112,743	\$ 2,830,531	\$	875,414	\$	(201,238)	\$ 3,617,450	\$ (2,595,747)
	469,273	17,036,015	–	2,467,238		<u>7,442,774</u>	27,415,300	<u>30,011,047</u>
<u>\$</u>	582,016	<u>\$ 19,866,546</u>	\$	3,342,652	<u>\$</u>	7,241,536	\$31,032,750	\$ 27,415,300

#### **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
CASH FLOWS FROM OPERATING ACTIVITIES						
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	<u>(961,833</u> )			· · · · · · · · · · · · · · · · · · ·	

Net cash provided (used) by operating activities	<u>\$</u>	(155,286)	\$	(236,682)	\$ 1,425,978	\$		5	1,034,010	<u>\$</u>	1,609,167
CASH FLOWS FROM INVESTING ACTIVITIES Proceeds from sale of investments Purchase of investments Purchase of property and equipment Endowment transfers	\$	(5,036) <u>261,583</u>	\$	3,531,905 (3,193,665) <u>36,113</u>	\$ 37,057 (331,733) (297,696)	\$	\$	5	3,568,962 (3,193,665) (336,769)		6,092,509 (5,805,924) (1,644,129)
Net cash provided (used) in investing activities	<u>\$</u>	256,547	\$	374,353	\$ (592,372)	\$		<u>5</u>	38,528	\$	(1,357,544)
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term debt Payment of short-term debt	\$		\$		\$ 	\$	\$	\$		\$	800,000 (800,000)
	<u>\$</u>		\$	<u> </u>	\$ 	\$		\$		\$	0
INCREASE IN CASH AND CASH EQUIVALENTS	\$	101,261	\$	137,671	\$ 833,606	\$	5	\$	1,072,538	\$	251,623
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		270,189		125,242	477,377				872,808		<u>621,185</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$</u>	371,450	\$	262,913	\$ 1,310,983	\$		<u>\$</u>	1,945,346	\$	872,808
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES											
Change in Net Assets: Adjustments to reconcile changes in net assets	\$	112,743	\$	2,830,531	\$ 875,414	\$	(201,238)	\$	3,617,450	\$	(2,595,787)
to net cash provided Depreciation and amortization							538,007		538,007		491,667
Decrease (Increase) in receivables and promises to give (Increase) in prepaid expenses		59,496 (17,416 )		11,632	105,547 11,168				176,675 (6,248)	)	(261,604 ) 62,703
Increase (Decrease) in payables and accrued expenses Realized and unrealized (gain) on investments Burchase of preperty and equipment		26,313 5,036		(3,042,732)	1,193 75,554 331,733		(336,769)		27,506 (2,967,178)	)	(48,770 ) 3,972,651 1,632,435
Purchase of property and equipment Transfer from other funds Non-cash bequest to trust funds		(261,584) (79,874)		(36,113)	 297,697 (272,328)		(330,709)		(352,202)	)	(1,644,128)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$</u>	(155,286)	<u>\$</u>	(236,682)	\$ 1,425,978	<u>\$</u>	0	\$	1,034,01 <u>0</u>	_\$	<u>1,609,167</u>
	<u>\$</u>	<u>0</u>	\$	0	\$ 0	\$	0	<u>\$</u>	0	\$	<u>15,580</u>

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# LOUISIANA UNITED METHODIST CHILDREN AND FAMILY SERVICES, INC.

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

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

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# LONG-TERM INVESTMENTS

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Anonymous Charitable Lead Annuity Trust	<u>\$</u>	79,874	\$ 0
Total Long Term Investments	<u>\$</u>	79,874	\$ <u>     0</u>
Total Assets	<u>\$</u>	<u>975,260</u>	\$ <u>836,204</u>
LIABILITIES			
Current Liabilities Accounts payable Accrued compensation Total Current Liabilities	\$ 	91,733 <u>301,511</u> 393,244	\$ 81,141 <u>285,790</u> 366,931
NET ASSETS Unrestricted Temporarily restricted	¥	502,142 79,874	 469,273 0
Total Net Assets	<u>\$</u>	582,016	\$ 469,273
Total Liabilities and Net Assets	<u>\$</u>	975,260	\$ 836,204

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

		2003	2002
UNRESTRICTED REVENUES AND SUPPORT Contributions Children's home offerings Special events Child care support Independent living services Federal subgrants for child care Family development services Training fees and evaluation Trust funds Interest income Dividend income Outdoor wilderness learning Miscellaneous income	\$	550,525 88,333 23,145 4,641,168 128,173 86,880 35,331 10,260 60,152 7,275 19,000 52,380 44,681	$\begin{array}{cccccccccccccccccccccccccccccccccccc$
Total revenue and support	<u>\$</u>	<u>5,747,303</u>	<u>\$ 5,580,095</u>
EXPENSES Administrative and general Plant operation and maintenance Medical and nursing Dietary Emergency shelter care Residential group care Recreational Educational services Pastoral care Family development service Clinical services Life skills service Outdoor wilderness learning Public relations and development Capital expenditures Changing attitudes and behavior program Family plus	\$	$\begin{array}{r} 1,178,595\\504,788\\183,668\\446,572\\514,503\\685,087\\188,347\\406,404\\78,695\\258,861\\495,222\\138,097\\142,074\\307,121\\5,036\\1,274,914\\129,866\end{array}$	
Total expenses	<u>\$</u>	6,937,850	<u>\$ 6,600,737</u>
REVENUE (DEFICIENCY) OVER EXPENSES	<u>\$</u>	(1,190,547)	\$ (1,020,642
NET ASSETS TRANSFERRED FROM OTHER FUNDS	<u>\$</u>	1,223,416	<u>\$ 1,034,359</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$</u>	32,869	<u>\$ 13,717</u>

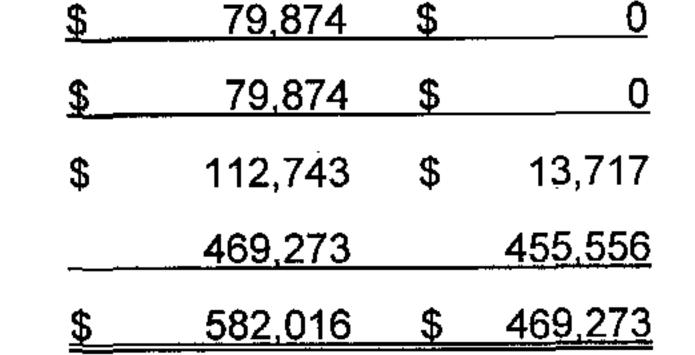
#### CHANGE IN TEMPORARILY RESTRICTED ASSETS

Net realized and unrealized gain in investment contributions

# **INCREASE (DECREASE) IN NET ASSETS**

#### NET ASSETS AT BEGINNING OF YEAR

#### NET ASSETS AT END OF YEAR

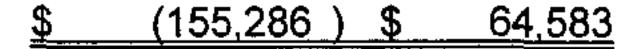


#### **GENERAL OPERATING FUND STATEMENTS OF CASH FLOWS** As of December 31, 2003 and 2002

		2003		<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<b>~</b>	4 000 557	•	
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> </u>	(6,911,537)		(6,543,075)

Net cash provided by operating activities	<u>\$</u>	(155,286)	\$ <u>64,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of property and equipment Transfers from endowment fund	\$	(5,036) 261,583	\$ (13,865) 0
Net cash used in investing activities	<u>\$</u>	256,547	\$ <u>(13,865</u> )
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$	101,261	\$ 50,718
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		270,189	<u>219,471</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$</u>	371,450	\$ <u>270,189</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES			
Change in net assets Adjustments to reconcile change in net assets to net cash used by operating activities:	\$	112,743	\$ 13,717
(Increase) Decrease in accounts receivable (Increase) Decrease in prepaid expenses (Increase) Decrease in anonymous trust		59,496 (17,416) (79,874)	(14,026) (10,797) 0
Increase (Decrease) in accounts payable Increase in accrued wages Purchase of property and equipment Transfers from other funds		10,592 15,721 5,036	33,938 27,886 13,865
		(261,584)	0

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

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

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#### **NET ASSETS**

Unrestricted net assets

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#### <u>\$ 19,866,546 \$ 17,036,015</u>

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

		2003		2002	
REVENUE	-		•		
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> </u>	3,042,732		(3,868,543)	
	<u>\$</u>	<u>3,795,114</u>	<u>\$</u>	<u>(3,039,147</u> )	

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EXPENSES
Management and custody fees

Management and custody fees	<u>\$</u>	38,863	<u>\$</u>	<u>38,976</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$	3,756,251	\$	(3,078,123)
OTHER CHANGES IN NET ASSETS Operating transfers Transfer from local investment fund	. <u> </u>	(961,833) <u>36,113</u>	)	(1,369,042) <u>86,416</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$	2,830,531	\$	(4,360,749)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR		17,036,015		21,396,764
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$</u>	19,866,546	\$	<u>17,036,015</u>

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

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

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

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

#### ASSETS

		2003	2002
Current Assets Cash and cash equivalents Accounts receivable Unconditional promises to give - temporarily restricted Employees promises to give - temporarily restricted Prepaid expenses	\$	1,310,983 16,386 179,584 21,927 0	\$ 477,377 116,842 424,746 0 11,168
Total current assets	<u>\$</u>	1,528,880	\$ 1,030,133

Long-Term Investments

Long-Term Investments				
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
Total long-term investments	<u>\$</u>	1,817,851	\$	1,439,991
Total Assets	<u>\$</u>	3,346,731	\$	2,470,124
LIABILITIES				
Accounts payable	<u>\$</u>	4,079	\$	2,886
NET ASSETS				
Unrestricted	\$	1,868,326	\$	1,136,462
Temporarily restricted	·	1,474,326		<u>1,330,776</u>
	<u>\$</u>	3,342,652	\$	2,467,238
	•	0.040.704	•	0 470 404
Total Liabilities and Net Assets	2	<u>3,346,731</u>	<u> </u>	<u>2,470,124</u>

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

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

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

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#### **NET ASSETS - BEGINNING OF YEAR**

<u>2,467,238</u> <u>1,868,454</u>

#### **NET ASSETS - END OF YEAR**



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

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

		2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES Cash received from contributions, wills and bequests Income from trust funds Interest received Miscellaneous receipts Dividends received Receipts from investment properties	\$	953,073 \$ 7,890 2,378 31,149 829 575,112	1,403,568 11,311 117 188,825 464 311,418
Cash paid to suppliers		(144,453)	<u>(155,816</u> )
Net cash provided by operating activities	<u>\$</u>	1,425,978 \$	1,759,887

#### CASH FLOWS FROM INVESTING ACTIVITIES

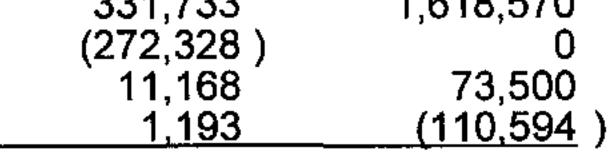
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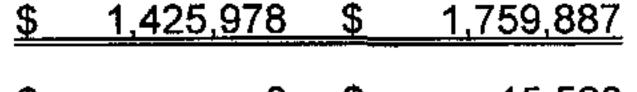
Transfer (to) from Endowment Fund (Net) Capital purchases for Plant Fund Transfers (to) from Operating Fund Proceeds from sale of assets	\$	(36,113) (331,733) (261,583) <u>37,057</u>	\$	248,266 (1,630,263) <u>89,073</u>
Net cash used by investing activities	<u>\$</u>	(592,372)	\$	<u>(1,292,924</u> )
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from short-term debt Payment of short-term debt	\$	0 0	\$	800,000 (800,000)
	<u>\$</u>	0	\$	0
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$	833,606	\$	466,963
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		477,377		10,414
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$</u>	1,310,983	<u>\$</u>	477,377
RECONCILIATION OF CHANGES TO NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES				
Change in net assets Adjustments to reconcile changes in net assets to net cash provided by operating activities:	\$	875,414	\$	598,784
(Increase) Decrease in receivables and promises to give Realized and unrealized gains on investments Transfer to (from) other funds Purchase of property and equipment		105,547 75,554 297,697 331,733		(273,736) 101,630 (248,267) 1,618,570

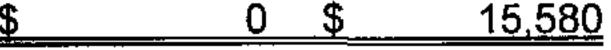
Non-cash wills and bequests (Increase) Decrease in prepaid expenses Increase (Decrease) in accounts payable

#### NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

INTEREST PAID







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

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

	 2003	2002
ASSETS		
Autos, trucks and buses Tractors and ground equipment Furniture, fixtures and equipment Building and improvements Land and land improvements	\$ 463,291 98,614 1,581,727 8,915,266 72,538	\$ 399,356 93,345 1,422,539 8,866,294 72,538

Less: Accumulated depreciation	\$	11,131, <b>4</b> 36 (3,889,900)		10,854,072 (3,411,298)
	<u>\$</u>	<u>7,241,536</u>	<u>\$</u>	<u>7,442,774</u>
INVESTMENT IN GENERAL FIXED ASSETS		-		

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Fund Balance - General Fixed Assets

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<u>\$ 7,241,536 \$ 7,442,774</u>

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

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

		2003	2002	
EXPENSES Provision for depreciation	<u>\$</u>	538,007 \$	<u>491,627</u>	
EXCESS OF EXPENSES OVER REVENUE	\$	(538,007) \$	(491,627)	
ACQUISITION OF PROPERTY AND EQUIPMENT WITH TRANSFERS FROM OTHER CURRENT FUNDS		336,769	1,644,128	

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CHANGE IN NET ASSETS	\$	(201,238) \$	1,152,501
NET ASSETS - BEGINNING OF YEAR		7,442,774	6,290,273
NET ASSETS - END OF YEAR	<u>\$</u>	7,241,536 \$	<u>7,442,774</u>

The accompanying notes are an integral part of this statement.

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

		2003	20(
CASH FLOWS FROM OPERATING ACTIVITIES	\$	0\$	
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	•	0	
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$</u>	0\$	

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#### **RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES**

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1.

Change in net assets Adjustments to reconcile change in net assets to net cash provided by operating activities Depreciation Transfer from other funds

# NET CASH PROVIDED BY OPERATING ACTIVITIES

<u>\$</u>	Q \$	0
<u></u>	538,007 (336,769)	491,627 (1,644,128)
\$	(201,238) \$	1,152,501

The accompanying notes are an integral part of this statement.

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# **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 valuative, 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.

# 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

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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.

#### 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

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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:

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

#### \$ \$ 3,795,114

#### 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.

# NOTES TO FINANCIAL STATEMENTS

#### **NOTE 5 - PLANT AND EQUIPMENT**

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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> </u>	Accumulated Depreciation	Net Book Value
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	<u>98,614</u>	<u>    (78,660 ) </u>	<u> </u>
Totals	<u>\$11,131,436</u>	<u>\$ (3,889,900 )</u>	<u>\$ 7,241,536</u>
<u>2002</u>	Cost	Accumulated Depreciation	Net Book Value
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)	<u> </u>
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 improvements20 and 30 yearsBuilding and improvements5, 10, 15, 20, 25,Furniture and fixtures3, 5, 10, 15, andOffice furniture and equipment3, 5, 10, 15, andAutomobiles, trucks and vans5 and 10 yearsTractors and other equipment5 and 10 years

20 and 30 years 5, 10, 15, 20, 25, 30, 40, and 50 years 3, 5, 10, 15, and 25 years 3, 5, 10, 15, and 25 years 5 and 10 years 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

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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.

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# 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:

		2003	200	2
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	42	4,746
Other Assets				
Promises to give - temporarily restricted		78,738	5	9,836
Long - Term Investments				
Leake Testamentary Trust		705,063	63	6,478
H. R. Jordan Charitable Reminder Trust		150,594	14	5,282
E. J. Bernard (\$1000,000 face) annuity		66,092	6	64,434
G. W. Peniston Home Scholarship Trust		272,328		0
Balances at year end	<u>\$</u>	1,554,200	\$1,33	<u>30,776</u>

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MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN CERTIFIED PUBLIC ACCOUNTANTS 2120 Forsythe Avenue P.O. Box 4550 Monroe, Louisiana 71211-4550

OSCAR C. ROBINSON, JR., CPA A Professional Corporation C. DENNIS GARDNER, CPA A Professional Corporation TIMMY R. LANGSTON, CPA A Professional Corporation RUSSELL B. BRYAN, CPA A Professional Corporation

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GENE E. MINCHEW, CPA Retired

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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, Robinion Saidner; Tangston & 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

		<u>    2003  </u>		2002
REVENUE AND SUPPORT				
Contributions	<b>.</b>	470 504	~	404.000
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
Total contributions	<u>\$</u>	<u>550,525</u>	<u>\$</u>	<u>449,941</u>
Children's Home Offerings	<u>\$</u>	88,333	\$	79,995
Special Events	\$	23,145	\$	37,739
Special Events	<u>Ψ</u>	20,140		01,100
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		<u>135,499</u>		97,090
Total child care support	<u>\$</u>	<u>4,641,168</u>	<u>\$</u>	<u>4,656,093</u>
Independent Living Service				
Independent Living Grants	<u>\$</u>	<u>128,173</u>	<u>\$</u>	<u>129,946</u>
Federal Subgrants				
Child Abuse Counseling	\$	25,300	\$	31,317
Youths in transition/mentoring		2,043	- 	<u>25,217</u>
	<u>\$</u>	27,343	<u>\$</u>	<u>56,534</u>

Family Plus-LA Conference Foundation Grant

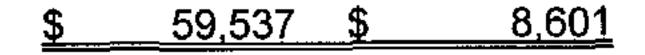
Family Development Services Client fees **Evaluation fees** 

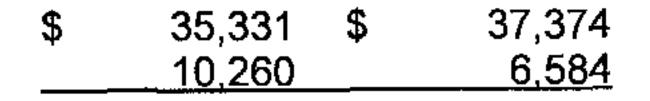
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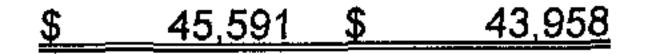
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Total family development

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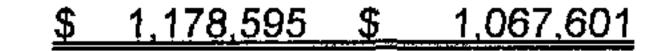
# GENERAL OPERATING FUND DETAIL STATEMENTS OF ACTIVITIES For The Years Ended December 31, 2003 and 2002

	2	003	2002
REVENUE AND SUPPORT (Cont'd)			
Trust Funds Pomeroy Trust R. J. Wilson Trust Conference Fund Trusts Leake Trust Ed and Gladys Hurley Trust		2,217 \$ 7,086 10,420 30,897 4,000	2,217 7,211 6,175 32,574 2,000
Hearne Family Trust		5,532	0
Total trust funds	<u>\$</u>	<u>60,152 </u> \$	50,177
NTEREST AND DIVIDENDS	<u>\$</u>	<u>26,275 </u>	18,050
OUTDOOR WILDERNESS PROJECT INCOME	<u>\$</u>	<u>52,380 \$</u>	31,454
MISCELLANEOUS INCOME	<u>\$</u>	<u>44,681 </u> \$	17,607
TOTAL INCOME	<u>\$ 5,7</u> 4	47,303 <u>\$</u>	<u>5,580,095</u>
EXPENSES			
Administrative and General			
Salaries	•	66,944 \$	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		25,432	174,867
Office supplies		21,207	20,195
Printing		244	40.047
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 8,191
Travel and seminar		10,618 4,793	2,056
Miscellaneous Office equipment maintenance contracts		24,080	19,601
Office equipment maintenance contracts		4,190	11,60
Accreditation Project donations disbursements			۲۱,00 ۲
Project donations dispursements		v	

#### **Total Administrative and General**

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# LOUISIANA UNITED METHODIST CHILDREN AND FAMILY SERVICES, INC.

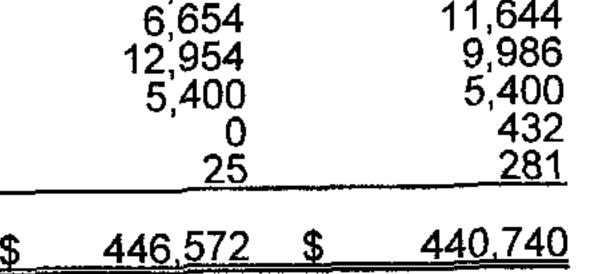
# GENERAL OPERATING FUND DETAIL STATEMENTS OF ACTIVITIES For The Years Ended December 31, 2003 and 2002

		2003		<u>2002</u>	
EXPENSES (Cont'd) Plant Operation and Maintenance Salaries Payroll taxes Employee benefits Contract for outside services Maintenance - buildings and grounds Repairs - buildings and grounds Major repairs and replacements Supplies Utilities Vehicle gas, oil and repairs Miscellaneous	\$	$103,226 \\7,700 \\9,440 \\32,159 \\6,229 \\30,017 \\8,484 \\3,203 \\275,396 \\28,934 \\0$	\$	$94,622 \\ 7,070 \\ 8,906 \\ 33,503 \\ 7,418 \\ 28,894 \\ 13,803 \\ 5,875 \\ 235,993 \\ 35,576 \\ -54 \\ -56 \\ -$	
Total Plant Operation and Maintenance	<u>\$</u>	504,788	<u>\$</u>	<u>471,714</u>	
Medical and Nursing Salaries Payroll taxes Employee benefits Medical service - routine res Medical service - routine ESC-CAB Medical service - extraordinary - res Medical service - extraordinary - ESC-F Medical service - extraordinary - ESC-CAB Medical supplies - res Medical supplies - res Medical supplies - ESC-F Medical supplies - ESC-M Medical supplies - CAB Training Employee drug screens OSHA required vaccination Psychiatrist - res Psychiatrist - CAB	\$	98,818 6,915 13,546 900 178 1,286 1,286 2,574 1,253 1,374 317 4,125 3,798 19,614 19,614 19,615	\$	89,093 6,716 9,220 367 0 493 60 126 11,264 3,324 418 3,651 123 425 2,550 16,581 16,013	
Total Medical and Nursing	<u>\$_</u> _	<u>183,668</u>	<u> </u>	<u>160,424</u>	
Dietary Salaries Payroll taxes Employee benefits Food - res Food - ESC - Females Food - ESC - Males Food - CAB	\$	155,234 11,679 21,975 121,384 53,989 51 57,227 6,654	\$	138,612 10,977 17,027 120,759 53,210 0 72,412 11,644	

Food - CAB Food - Special Supplies Dietitian consultant Training Miscellaneous

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**Total Dietary** 



#### 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>		2002
EXPENSES (Cont'd) Emergency Shelter Care - Females Housekeeping				
Salaries	\$	4,055	\$	474 144
Payroll taxes Employee benefits Supplies		720 6,474		1,200 5,633
Total housekeeping	<u>\$</u>	11,249	\$	7,451
Laundry and Linen	¢	1 540	¢	071
Supplies Linen and bedding	\$ 	1,542 <u>165</u>	\$	<u>834</u>
Total laundry and linen	<u>\$</u>	1,707	<u>\$</u>	<u>1,805</u>
Personal Client Needs Allowances Personal hygiene Clothing	\$	2,233 2,375 2,871 849	\$	3,080 3,378 2,443
Other	\$	<u> </u>	\$	8,901
Therapeutic and Training Salaries - clerical Salaries - child care worker Payroll taxes Employee benefits Miscellaneous	\$	7,100 424,791 32,035 26,950 2,343	\$	384,186 28,614 23,276 2,962
Total therapeutic and training	<u>\$</u>	493,219		439,038
Total Emergency Shelter Care - Females	<u>\$</u>	<u>514,503</u>	<u>\$</u>	<u>457,195</u>
Residential Group Care Housekeeping Supplies Linen and bedding Miscellaneous	\$	16,507 698 124	\$	21,322 522 0
Total housekeeping	<u>\$</u>	17,329	\$	21,844
Personal Client Needs Allowance Personal hygiene Christmas and birthdays	\$	10,268 6,505 1 575	\$	10,273 9,636 13

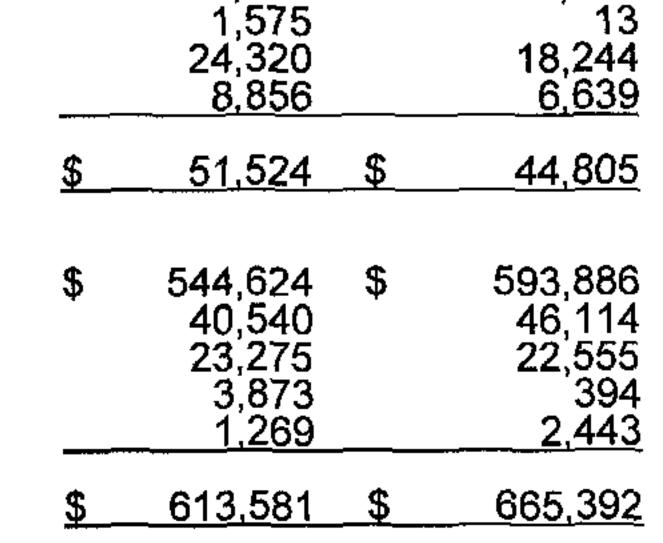
Christmas and birthdays Clothing Visitation and transportation

Total personal client needs

Therapeutic and Training Salaries - child care Payroll taxes Employee benefits Miscellaneous Training

**6** 

Total therapeutic and training



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

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

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·		2003		
EXPENSES (Cont'd)				
Residential Group Care (Cont'd)				
Recreational	ф.	40	•	000
Supplies	\$	42	\$	230
House activities fund	<u></u>	2,611		2,344
Total recreational	<u>\$</u>	2,653	\$	2,574
Total Residential Group Care	<u>\$</u>	685,087	\$	<u>734,615</u>
Recreational				
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
Total recreational	<u>\$</u>	188,347	\$	<u>172,456</u>
Educational Services				
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
Total educational services	<u>\$</u>	406,404	<u>\$</u>	<u>381,644</u>
Pastoral Care				
Salaries	\$	41,245	\$	41,902
Payroll taxes	-	633		691
Employee benefits		18,980		17,434
Housing allowance		14,400		14,400
		0 717		2 2 2 0

Supplies Activities Training Travel

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# 2,717 3,320 303 100 99 0 318 54

# **Total pastoral care**

\$ 78,	695	\$ 77,901

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

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

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	 2003	2002
EXPENSES (Cont'd)		
Family Development Service		
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

Total family development service	<u>\$</u>	258,861	<u>\$</u>	<u>253,179</u>
Clinical Services				
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		<u>4,983</u>
Total clinical services	<u>\$</u>	495,222	\$	<u>488,040</u>
Life Skills Service				
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

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2,500 0

Total life skills services



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

EXPENSES (Cont'd) Outdoor Wilderness Learning		2003		2002	
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		<u>250</u>	

Total outdoor wilderness learning	<u>\$</u>	142,074	<u>\$</u>	124,236
Public Relations and Development				
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	i	12,445		<u>11,787</u>
Total public relations and development	<u>\$</u>	307,121	\$	235,408
C. A. B. Program				
Housekeeping				
Salaries	\$	26,138	\$	24,359
Payroll taxes	Ŧ	1,955	Ŧ	1,843
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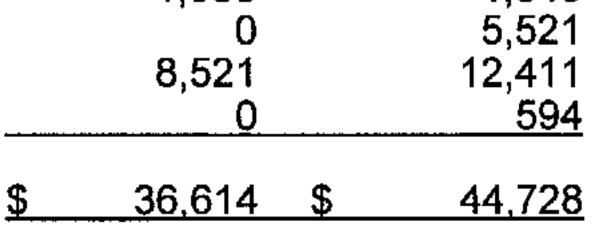
Employee benefits Supplies Linen and bedding

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Total housekeeping

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

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

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

Employee benefits Postage Supplies Telephone Travel Training Printers

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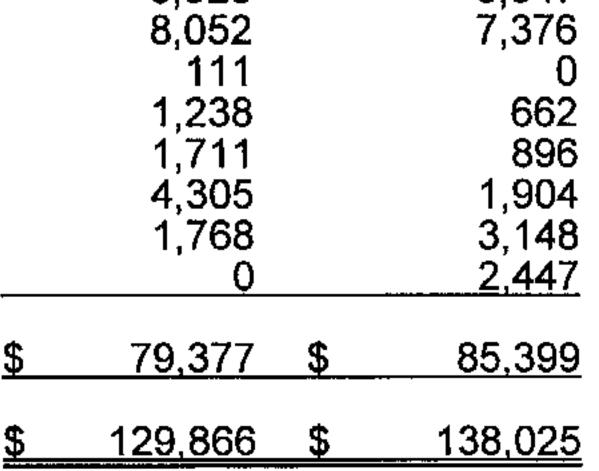
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Total North Louisiana Region

**Total Family Plus** 



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

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

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

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# LOUISIANA UNITED METHODIST CHILDREN AND FAMILY SERVICES, INC.

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

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

MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN CERTIFIED PUBLIC ACCOUNTANTS

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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 is not intended to be and should not be used by anyone other than these specified parties.

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Minchew, Robinsia Gardner, Kangston & Bryan, CAS

April 29, 2004

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#### 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.

# MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN CERTIFIED PUBLIC ACCOUNTANTS

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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.

Minichen, Robinson, Hardner, Langston & Bryan, CPts

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April 29, 2004

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MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN CERTIFIED PUBLIC ACCOUNTANTS 2120 FORSYTHE AVENUE

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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) or National Automobile Dealer Association (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.

Minchus, Robinson, Sardner, Aangsten & Bryan, CAS

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# MEMORANDUM

To: Legislative Auditor

From: Terrel DeVille, President/CEO

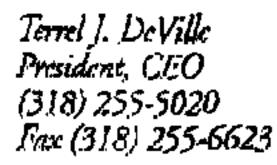
Date: May 19, 2004

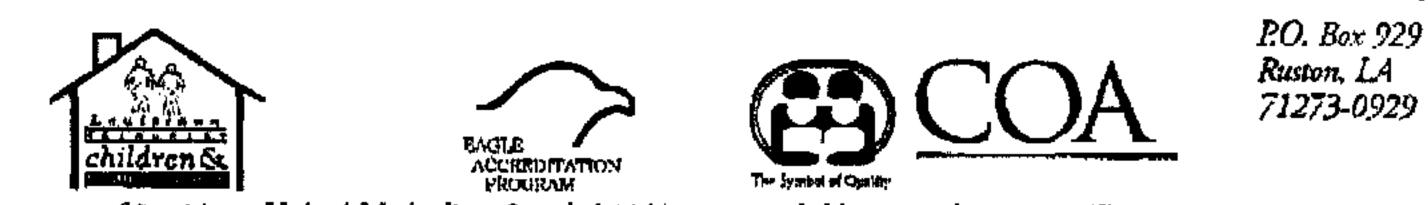
Subject: Annual Audit Report for Fiscal Year 2003

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"





an agency of Louisiana United Methodists, founded 1902, coming children wouth and familiar