

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

Financial Statements and
Independent Auditor's Report

June 30, 2023 and 2022

MacDonell United Methodist Children's Services, Inc.

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June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MacDonell United Methodist Children's Services, Inc.
Houma, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MacDonell United Methodist Children's Services, Inc., which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MacDonell United Methodist Children's Services, Inc. as of June 30, 2023 and 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MacDonell United Methodist Children's Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal

control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MacDonell United Methodist Children's Services Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MacDonell United Methodist Children's Services Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MacDonell United Methodist Children's Services Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

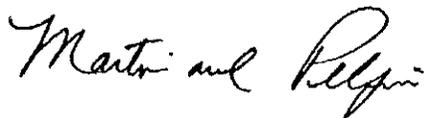
Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MacDonell United Methodist Children's Services Inc.'s basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to the Executive Director on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Compensation, Benefits, and Other Payments to the Executive Director is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to the Executive Director is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, on our consideration of MacDonell United Methodist Children's Services Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MacDonell United Methodist Children's Services Inc.'s internal control over financial reporting and compliance.



Houma, Louisiana
November 16, 2023

FINANCIAL STATEMENTS

MacDonell United Methodist Children's Services, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	\$ 473,789	\$ 576,919
Investments	464,772	432,427
Restricted trust - investments	143,344	143,344
Due from state agency	117,488	76,542
Due from other	30,000	-
Prepaid insurance	62,100	66,806
Total Current Assets	1,291,493	1,296,038
Non-current Assets		
Property and equipment, net	1,534,126	1,447,227
Total Assets	\$ 2,825,619	\$ 2,743,265
Liabilities		
Current Liabilities		
Accounts payable	\$ 27,096	\$ 20,330
Accrued salaries	17,763	11,725
Payroll taxes payable	11,565	1,689
Note payable	3,383	4,245
Insurance payable	28,536	22,821
Other accrued expenses	12,286	17,932
Total Current Liabilities	100,629	78,742
Long-term Liabilities		
Compensated absences	11,232	10,029
Note payable	-	4,873
Total Long-term Liabilities	11,232	14,902
Total Liabilities	111,861	93,644
Net Assets		
Without donor restrictions		
Designated	168,927	168,927
Undesignated	2,480,740	2,416,603
Total Net Assets Without Donor Restrictions	2,649,667	2,585,530
With donor restrictions	64,091	64,091
Total Net Assets	2,713,758	2,649,621
Total Liabilities and Net Assets	\$ 2,825,619	\$ 2,743,265

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	With Donor Restrictions	Without Donor Restrictions	Total	With Donor Restrictions	Without Donor Restrictions	Total
Support						
State of Louisiana - Dept. of Social Services	\$ -	\$ 1,600,452	\$ 1,600,452	\$ -	\$ 996,012	\$ 996,012
General Board of Global Ministries of the United Methodist Church	-	20,000	20,000	-	15,000	15,000
Churches and other affiliates	-	9,215	9,215	-	20,697	20,697
Contributions - individuals and others	-	191,040	191,040	-	114,173	114,173
Special events	-	107,298	107,298	-	96,736	96,736
Total Support	-	1,928,005	1,928,005	-	1,242,618	1,242,618
Other Revenue						
Interest income	-	38,297	38,297	-	1,847	1,847
Investment return	-	37,580	37,580	-	(45,185)	(45,185)
Other income	-	38,403	38,403	-	149,533	149,533
Total Other Revenue	-	114,280	114,280	-	106,195	106,195
Net Assets Released from Restrictions						
Use of facilities	-	-	-	(855,844)	855,844	-
Expenses						
Program services	-	1,152,317	1,152,317	-	933,644	933,644
Support services	-	825,831	825,831	-	524,166	524,166
Total Expenses	-	1,978,148	1,978,148	-	1,457,810	1,457,810
Change in Net Assets	-	64,137	64,137	(855,844)	746,847	(108,997)
Net Assets, Beginning of Year	64,091	2,585,530	2,649,621	919,935	1,838,683	2,758,618
Net Assets, End of Year	\$ 64,091	\$ 2,649,667	\$ 2,713,758	\$ 64,091	\$ 2,585,530	\$ 2,649,621

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services						Support Services				
	Therapeutic and Training	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Recreational	Other	Total Program Services	Administrative and General	Fund Raising	Total Support Services	Total Expenses
Salaries	\$655,818	\$ 58,313	\$ -	\$ -	\$ 13,680	\$ -	\$ 727,811	\$369,196	\$ -	\$369,196	\$1,097,007
Payroll taxes	55,388	4,734	-	-	18,864	-	78,986	12,356	-	12,356	91,342
Total	711,206	63,047	-	-	32,544	-	806,797	381,552	-	381,552	1,188,349
Insurance	-	-	-	-	-	-	-	195,668	-	195,668	195,668
Professional services	-	-	-	-	-	-	-	112,752	-	112,752	112,752
Depreciation	-	-	97,821	-	-	-	97,821	-	-	-	97,821
Food and beverage	-	-	-	85,212	-	-	85,212	-	1,619	1,619	86,831
Utilities	-	56,314	-	-	-	-	56,314	-	-	-	56,314
Telephone	-	-	-	-	-	-	-	54,895	-	54,895	54,895
Repairs and maintenance	-	43,035	-	-	-	-	43,035	-	-	-	43,035
Activities and supplies	-	-	-	-	35,334	-	35,334	-	-	-	35,334
Other supplies	-	4,710	-	-	-	11,345	16,055	16,330	-	16,330	32,385
Motor vehicles	-	-	-	-	-	-	-	27,141	-	27,141	27,141
Office supplies	-	-	-	-	-	-	-	8,026	549	8,575	8,575
Printing	-	-	-	-	-	-	-	6,814	742	7,556	7,556
Dues and subscriptions	-	-	-	-	-	-	-	7,468	-	7,468	7,468
Miscellaneous	-	-	-	-	-	-	-	4,993	867	5,860	5,860
Clothing	-	-	-	-	-	5,492	5,492	-	-	-	5,492
Personal items	-	-	-	-	-	4,306	4,306	-	-	-	4,306
Postage	-	-	-	-	-	-	-	3,015	410	3,425	3,425
Medical supplies	-	-	-	-	-	1,951	1,951	-	-	-	1,951
Travel	-	-	-	-	-	-	-	1,528	-	1,528	1,528
Advertising and promotion	-	-	-	-	-	-	-	1,258	-	1,258	1,258
Interest	-	-	-	-	-	-	-	204	-	204	204
Total Expenses	\$711,206	\$167,106	\$ 97,821	\$ 85,212	\$ 67,878	\$ 23,094	\$1,152,317	\$821,644	\$ 4,187	\$825,831	\$1,978,148

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services						Support Services				
	Therapeutic and Training	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Recreational	Other	Total Program Services	Administrative and General	Fund Raising	Total Support Services	Total Expenses
Salaries	\$503,485	\$ 33,257	\$ -	\$ -	\$ 34,517	\$ -	\$ 571,259	\$190,208	\$ -	\$190,208	\$ 761,467
Payroll taxes	43,438	2,559	-	-	5,618	-	51,615	12,308	-	12,308	63,923
Total	546,923	35,816	-	-	40,135	-	622,874	202,516	-	202,516	825,390
Insurance	-	-	-	-	-	-	-	109,242	-	109,242	109,242
Professional services	-	-	-	-	-	-	-	104,394	-	104,394	104,394
Depreciation	-	-	88,161	-	-	-	88,161	-	-	-	88,161
Food and beverage	-	-	-	84,856	-	-	84,856	-	43	43	84,899
Telephone	-	-	-	-	-	-	-	45,247	-	45,247	45,247
Repairs and maintenance	-	44,443	-	-	-	-	44,443	-	-	-	44,443
Utilities	-	44,443	-	-	-	-	44,443	-	-	-	44,443
Other supplies	-	13,746	-	-	-	6,204	19,950	10,918	-	10,918	30,868
Activities and supplies	-	-	-	-	18,574	-	18,574	-	-	-	18,574
Motor vehicles	-	-	-	-	-	-	-	17,469	-	17,469	17,469
Miscellaneous	-	-	-	-	-	-	-	(1,226)	9,336	8,110	8,110
Office supplies	-	-	-	-	-	-	-	6,385	-	6,385	6,385
Printing	-	-	-	-	-	-	-	5,462	143	5,605	5,605
Advertising and promotion	-	-	-	-	-	-	-	5,248	-	5,248	5,248
Medical supplies	-	-	-	-	-	4,814	4,814	-	-	-	4,814
Dues and subscriptions	-	-	-	-	-	-	-	4,625	-	4,625	4,625
Clothing	-	-	-	-	-	4,455	4,455	-	-	-	4,455
Postage	-	-	-	-	-	-	-	3,555	-	3,555	3,555
Personal items	-	-	-	-	-	1,074	1,074	-	-	-	1,074
Travel	-	-	-	-	-	-	-	555	-	555	555
Interest	-	-	-	-	-	-	-	254	-	254	254
Total Expenses	\$546,923	\$138,448	\$ 88,161	\$ 84,856	\$ 58,709	\$ 16,547	\$ 933,644	\$514,644	\$ 9,522	\$524,166	\$1,457,810

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 64,137	\$ (108,997)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating		
Depreciation	97,821	88,161
Unrealized (gain) / loss on investments	(32,345)	49,307
Changes in assets and liabilities:		
Due from state agency	(40,946)	(9,350)
Due from other	(30,000)	-
Prepaid insurance	4,705	(58,891)
Other assets	-	200
Accounts payable	6,766	4,234
Insurance payable	5,715	22,821
Accrued expenses	10,269	(28,518)
Compensated absences	1,203	1,023
Net Cash Provided by (Used in) Operating Activities	87,325	(40,010)
Cash Flows Used in Investing Activities		
Purchases of property and equipment	(184,720)	(16,017)
Cash Flows Used in Financing Activities		
Principal payments of note payable	(5,735)	(3,373)
Net Decrease in Cash	(103,130)	(59,400)
Cash and Cash Equivalents		
Beginning of Year	576,919	636,319
End of Year	\$ 473,789	\$ 576,919
 Supplemental Disclosure of Cash Flow Information		
Interest on note payable	\$ 204	\$ 254

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

- A. Nature of the Organization – MacDonell United Methodist Children's Services, Inc. (the "Organization") is the successor to the MacDonell United Methodist Children's Agency which was founded by Miss Ella K. Hooper in 1919 as a French mission school. Today, the Organization is a residential home for children whose circumstances leave them in need of a safe group living experience. The Organization provides care, education, Christian nurture, study and treatment for children in need of care outside their own homes. The Organization is licensed by the Louisiana State Department of Social Services for 38 residents.
- B. Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Support and revenues are recognized when earned and expenses are recognized when incurred.
- C. Basis of Presentation – The financial statement presentation is in accordance with the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets:
1. Net Assets Without Donor Restrictions – Net assets for general use that are not subject to donor-imposed restrictions.
 2. Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- D. Cash and Cash Equivalents – For the purpose of the Statements of Cash Flows, the Organization considers all cash, including restricted cash, and other highly liquid investments with initial maturities of three months or less to be cash equivalents, exclusive of investments in the Operating and Restricted Trusts. The Organization had no cash equivalents as of June 30, 2022. The Organization had two \$100,000 certificates of deposits as of June 30, 2023.
- E. Investment Securities – Investments consist of assets held in an Operating Trust, Restricted Trust, and the Greater New Orleans Foundation. All investments are stated at their fair market value in the Statements of Financial Position.

The Operating and Restricted Trusts are included in an investment pool administered by the United Methodist Foundation. The investment pool is operated using the "market value unit method". Under this method, each participant is assigned a number of units based on the relationship of the market value of all investments at the time of

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

entry in the pool. Periodically, the pooled assets are valued. The new asset values are used to determine the number of units to be allocated to participants entering or withdrawing from the pools. Investment pool income, gains and losses are allocated based on the number of units held by each participant during the period. The Restricted Trust includes but is not limited to net assets with donor restrictions. Pooled accounts managed by the Greater New Orleans Foundation are reported at fair market value, including any pro rata gains and losses.

- F. Promises to Give – Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recognized as assets and revenues. As of June 30, 2023 and 2022, there were no promises to give.

Contributions received are recorded as support, and are classified as either support with donor restrictions or without donor restrictions, depending on the existence or nature of any stipulations. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

- G. Bad Debts – The financial statements of the Organization contain no allowance for bad debts. Uncollectible receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or change in net assets.

- H. Property and Equipment – Property and equipment are recorded at cost. Replacements and major improvements of \$250 or more are capitalized; maintenance and repairs are charged to operations as incurred. The Organization assesses its long-lived assets for impairment when indicators are identified, but at least annually. Historically, no other than temporary impairments have been identified. Depreciation is computed using the straight-line method over the lives over the assets' estimated useful lives as shown below:

Land	N/A
Land Improvements	10 - 20 Years
Buildings	10 - 40 Years
Building Improvements	11 - 20 Years
Machinery and Equipment	7 - 8 Years
Furniture and Fixtures	5 - 15 Years
Autos and Trucks	3 - 5 Years

MacDonell United Methodist Children's Services, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

- I. Compensated Absences – Full-time staff are entitled to paid vacations and holiday time after one full year of employment. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year unless the Organization requests an employee to postpone vacation for the good of the program. Terminating employees will be paid for unused vacation leave time if leaving prior to their anniversary date. The total amount of accrued accumulated vacation leave as of June 30, 2023 and 2022 was \$11,232 and \$10,029, respectively.

Sick leave accrues at one-half day per month, or six days per year. An employee may accumulate sick leave up to a maximum of twelve days. Sick leave does not vest with the employee and, therefore, is forfeited upon termination.

- J. Designated Net Assets – As of June 30, 2023 and 2022, the Organization's Board designated \$168,927 of its net assets to be used for plant expansion.
- K. Income Taxes – The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes; however, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization's Form 990, Return of Organization Exempt from Income Tax, is generally subject to examination by the Internal Revenue Service for three years after the return was filed.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management believes that the Organization has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

- L. Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- M. Recent Accounting Pronouncement – In January 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with

MacDonell United Methodist Children’s Services, Inc.

Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

M. classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard also provides a number of practical expedients. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2021. The Organization has adopted the new standard in its financial statements, resulting in no material effect on its financial statements.

Note 2 – Investments

The fair values of investments reported in investments without donor restrictions (Operating and the Greater New Orleans Foundation) and with donor restricted trusts totaled \$608,116 and \$575,771 as of June 30, 2023 and 2022, respectively. The following schedule summarizes investment returns and their classification in the Statements of Activities for the years ended:

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest income	\$ 7,413	\$ -	\$ 7,413	\$ 6,008	\$ -	\$ 6,008
Net realized and unrealized gains	32,345	-	32,345	(49,307)	-	(49,307)
Fees	(2,178)	-	(2,178)	(1,886)	-	(1,886)
Total investment return	<u>\$ 37,580</u>	<u>\$ -</u>	<u>\$ 37,580</u>	<u>\$(45,185)</u>	<u>\$ -</u>	<u>\$(45,185)</u>

Note 3 – Fair Value Measurement

The fair values of financial instruments have been determined through quoted market prices, comparable market prices, or present value techniques to approximate the amounts recorded in the Statements of Financial Position.

Under the FASB’s authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820, Fair Value Measurement, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs in the three levels of this hierarchy are described as follows:

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 3 – Fair Value Measurement (Cont.)

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 – Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investments held in pooled accounts managed by United Methodist Foundation and Greater New Orleans Foundation are included in Level 2 of the fair value hierarchy as the investment pool is valued using the net asset value as reported by the custodian. The net asset values are determined based on the fair values of the underlying investments. The custodian uses independent pricing services, where available, to value the securities. If an independent pricing service does not value a security or the value is not, in the view of the custodian, representative of the market value, the custodian will attempt to obtain a price quote from a secondary pricing source, which may include third party brokers, investment advisors, and principal market makers or affiliated pricing services. If a secondary source is unable to provide a price, the custodian may obtain a quotation from the counterparty that sold the security.

This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the years ended June 30, 2023 and 2022, investments in marketable securities are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. Assets as of June 30, 2023 and 2022 measured at fair value on a recurring basis are comprised of and determined as follows:

MacDonell United Methodist Children's Services, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 3 – Fair Value Measurement (Cont.)

Description	2023			Fair Value
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Operating Trust managed by United Methodist Foundation	\$ -	\$ 188,634	\$ -	\$188,634
Pooled accounts managed by Greater New Orleans Foundation	-	276,138	-	276,138
	-	464,772	-	464,772
Restricted Trust managed by United Methodist Foundation	-	143,344	-	143,344
Totals	<u>\$ -</u>	<u>\$ 608,116</u>	<u>\$ -</u>	<u>\$608,116</u>

Description	2022			Fair Value
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Operating Trust managed by United Methodist Foundation	\$ -	\$ 161,974	\$ -	\$161,974
Pooled accounts managed by Greater New Orleans Foundation	-	256,544	-	256,544
	-	418,518	-	418,518
Restricted Trust managed by United Methodist Foundation	-	157,253	-	157,253
Totals	<u>\$ -</u>	<u>\$ 575,771</u>	<u>\$ -</u>	<u>\$575,771</u>

As of June 30, 2023 and 2022, there were no assets measured at fair values on a non-recurring basis.

The investment pools of the Operating and Restricted Trusts have been merged by the bank trustee. The administrator, the United Methodist Foundation, maintains separate accounting for the Operating and Restricted Trusts. The Operating Trust invests in high quality bonds and loans to Methodist Churches in the Louisiana Conference while the Restricted Trust seeks to produce growth and income by investing in equities and short to intermediate-term bonds. The Greater Foundation of New Orleans uses a total return approach to investment management and is structured to deliver a predictable rate of

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 3 – Fair Value Measurement (Cont.)

return across all market environments. The Operating and Restricted Trusts and Greater New Orleans Foundation consisted of the following as of June 30, 2023 and 2022:

	Operating and Restricted Trust		Greater New Orleans Foundation	
	2023	2022	2023	2022
Cash and cash equivalents	3.20%	0.00%	13.60%	9.33%
Fixed income securities	47.50%	49.30%	6.40%	17.25%
Equities	39.70%	50.70%	67.90%	60.87%
Real estate and mortgage	1.60%	0.00%	0.00%	0.00%
Hedge funds	8.00%	0.00%	12.10%	12.55%
Totals	100.00%	100.00%	100.00%	100.00%

Note 4 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for specific purpose, designated for subsequent periods, or held in perpetuity.

Net assets with donor restrictions as of June 30, 2023 and 2022 are available for the following purposes or periods:

Subject to expenditure for a specified purpose	
Construction of girls' dormitory	\$ 35,816
Subject to the Organization's spending policy	
Funds held in perpetuity	<u>28,275</u>
Totals	<u>\$ 64,091</u>

Note 5 – Governing Board Designations

Governing Board designations of net assets consist of \$168,927 designated for plant expansion as of June 30, 2023 and 2022.

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30, 2023 and 2022:

MacDonell United Methodist Children's Services, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 6 – Property and Equipment (Cont.)

	2022	Additions	Deletions	2023
Land improvements	\$ 82,046	\$ -	\$ -	\$ 82,046
Buildings	907,463	-	-	907,463
Building improvements	1,296,967	142,610	-	1,439,577
Machinery and equipment	219,060	17,074	-	236,134
Furniture and fixtures	127,152	-	-	127,152
Autos and trucks	114,416	25,036	-	139,452
	2,747,104	184,720	-	2,931,824
Accumulated depreciation	(1,299,877)	(97,821)	-	(1,397,698)
Property and equipment, net	<u>\$ 1,447,227</u>	<u>\$ 86,899</u>	<u>\$ -</u>	<u>\$ 1,534,126</u>

Depreciation expense totaled \$97,821 and \$88,161 for the years ended June 30, 2023 and 2022, respectively.

Note 7 – Note Payable

The Organization has a promissory note payable to the United Methodist Foundation with a balance of \$3,383 and \$9,118 as of June 30, 2023 and 2022, respectively. The note is secured with funds on deposit in the Operating and Restrictive Trusts, and is payable in monthly installments of \$400, with the final installment due August 31, 2025. The interest on the principal balance accrues at a variable rate based on the United Methodist Foundation of Louisiana Fixed Income Fund Rate of Interest plus 3%. The change in the interest rate, if any, shall become effective on the first day of any calendar month following a change in the Fixed Income Fund Rate.

For the year ended June 30, 2023, the Organization made average monthly payments of \$400. Due to cumulative principal payments in excess of the required amount, the principal balance of the note will become fully paid by June 30, 2024 under the existing terms of the note. As such, the remaining principal of \$3,383 has been reported as a current liability on the Statement of Financial Position.

Related to this note, the Organization recorded interest expense of \$204 and \$254 for the years ended June 30, 2023 and 2022, respectively.

Note 8 – Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2023 and 2022.

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 9 – Concentrations of Risk

MacDonell United Methodist Children's Services, Inc. maintains its deposits at two banks. Its accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2023, all deposits were fully insured by FDIC coverage. Management does not believe the Organization has significant risk related to its bank deposits.

Note 10 – Liquidity and Availability

The Organization receives support both with donor restrictions and without donor restrictions. Contributions without donor restrictions, fundraising events, facility rentals, and miscellaneous income are considered to be available to meet cash needs for general expenditures. General expenditures include program services, general and administrative, and fundraising expenses. Annual operations are defined as activities occurring during, and included in the budget for, the upcoming fiscal year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Although the Organization does not intend to spend from its investment funds other than amounts appropriated for general expenditures, amounts from its investment funds could be made available as necessary.

Occasionally, the Organization's board of directors designates a portion of any operating surplus for a particular purpose. The sub-total "Financial assets available to meet cash needs for general expenditures within one year before board designations" represents another liquidity total, as the board designated reserves can be changed and made available for immediate use in the event of an urgent liquidity need.

The following table represents financial assets available for general expenditures within one year as of June 30, 2023:

Financial assets	
Cash	\$ 473,789
Investments	464,772
Accounts receivables, state agencies	117,488
Total financial assets	<u>1,056,049</u>
Less amounts unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions	
Purpose restricted net assets	(35,816)
Funds held in perpetuity	<u>(28,275)</u>
Financial assets available to meet cash needs for general	991,958
Less board designations	<u>(168,927)</u>
Financial assets available to meet cash needs for general	<u>\$ 823,031</u>

MacDonell United Methodist Children's Services, Inc.
Notes to Financial Statements
Years Ended June 30, 2023 and 2022

Note 11 – Risks and Uncertainties

The Organization receives monies for reimbursement of daily child-care costs. The child-care reimbursement consists of state funding received through the Louisiana Department of Social Services under Title IV B and E (Administration for Children, Youth, and Families - Child Welfare Research and Demonstration). These payments are considered payments for services as opposed to a grant award. The total amounts received, net of clothing and personal needs allowances, for the years ended June 30, 2023 and 2022 were \$1,600,452 and \$996,012, respectively.

Reimbursements are determined based on a child-care day rate. Care will be provided at \$330 per day for residential rates, and \$152.92 less allowances for clothing and personal needs of \$2.68 and \$1.56, respectively, per child-care day, resulting in a net of \$148.68 per day for extended foster care rates. The Organization maintains records on a daily basis for each child in attendance at the Organization. The child-care days were 6,194 and 6,219, for the years ended June 30, 2023 and 2022 respectively. If significant budget cuts are made at the federal and/or state level, the amount of support the Organization receives could be reduced significantly and have an adverse impact on its operations.

Note 12 – Collaboration Agreement

Effective January 1, 2023, MacDonnell United Methodist Children's Services, Inc. (MUMCS) entered into a collaboration agreement with another 501(c)(3) entity with shared values and goals, whereby certain services will be provided by MUMCS to this organization. This agreement includes a provision that this entity will adopt a plan of dissolution, and upon settling all of its debts, the remaining assets will be transferred to MUMCS. This organization will compensate MUMCS \$4,600 per month for the providing of such services. The agreement expires on September 30, 2023 at which time it automatically extends on a month-to-month basis until the transfer of assets is executed or is otherwise terminated by either party.

Note 13 – Subsequent Events

MacDonell United Methodist Children's Services, Inc. has evaluated subsequent events through November 16, 2023, the date which the financial statements were available to be issued, and it was determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

MacDonell United Methodist Children's Services, Inc.
 Schedule of Compensation, Benefits, and
 Other Payments to the Executive Director
 Year Ended June 30, 2023

Agency Head Name: Kevin Champagne, Executive Director

Description	Amount
Salary	\$ 82,159
Benefits - insurance	5,680
Benefits - retirement	2,345
Benefits - other	-
Car allowance	427
Vehicle provided by government	-
Per diem	-
Reimbursements	814
Cell phone allowance	325
Registration fees	795
Conference travel	-
Continuing professional education fees	-
Housing*	16,380
Unvouchered expenses	-
Meals	-
	<u>\$ 108,925</u>

* - Estimated benefit received from required on-campus residence.

**Martin
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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Board of Directors of
MacDonell United Methodist Children's Services, Inc.
Houma, Louisiana

We have audited, in accordance with the 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, the financial statements of MacDonell United Methodist Children's Services, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MacDonell United Methodist Children's Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MacDonell United Methodist Children's Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of MacDonell United Methodist Children's Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

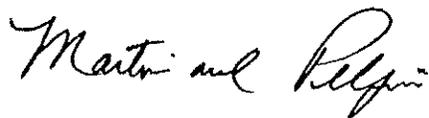
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MacDonell United Methodist Children's Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Houma, Louisiana
November 16, 2023

MacDonell United Methodist Children's Services, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2023

Section I – Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of MacDonell United Methodist Children's Services, Inc.
2. No deficiencies in internal control were noted during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of MacDonell United Methodist Children's Services, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No instances of noncompliance under the provisions of the *Louisiana Governmental Audit Guide* were noted during the audit of the financial statements.
5. A management letter was not issued.

Section II – Financial Statement Findings

No findings material to the financial statements of MacDonell United Methodist Children's Services, Inc. were noted during the audit.

Section III – Internal Control Findings

No findings related to MacDonell United Methodist Children's Services, Inc.'s internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

Section IV – Findings and Responses – Major Federal Award Program Audit

This section is not applicable.

REPORTS BY MANAGEMENT

MacDonell United Methodist Children's Services, Inc.
Schedule of Prior Findings
and Resolution Matters
Year Ended June 30, 2023

Note: All prior findings relate to the June 30, 2022 audit engagement.

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

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

MacDonell United Methodist Children's Services, Inc.
Management's Corrective Action
Plan for Current Year Findings
Year Ended June 30, 2023

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

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.