

*Financial Report*

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

*June 30, 2020*



*Financial Report*

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

*June 30, 2020*

## **TABLE OF CONTENTS**

### **MacDonell United Methodist Children's Services, Inc.** Houma, Louisiana

June 30, 2020 and 2019

|   | <u>Exhibits</u>  | <u>Page<br/>Numbers</u> |
|---|------------------|-------------------------|
| <b>FINANCIAL SECTION</b>  |                  |                         |
| Independent Auditor's Report  |                  | 1 - 2                   |
| Statements of Financial Position  | A                | 3                       |
| Statements of Activities  | B                | 4 - 5                   |
| Statement of Functional Expenses<br>For The Year Ended June 30, 2020                                | C-1              | 6 - 7                   |
| Statement of Functional Expenses<br>For The Year Ended June 30, 2019                                | C-2              | 8 - 9                   |
| Statements of Cash Flows  | D                | 10                      |
| Notes to Financial Statements   | E                | 11 - 26                 |
|   | <u>Schedules</u> |                         |
| <b>Supplementary Information Section</b>  |                  |                         |
| Independent Auditor's Report on Additional Information  |                  | 27 - 28                 |
| Schedule of Compensation, Benefits, and Other Payments<br>to Agency Head or Chief Executive Officer | 1                | 29                      |
| Schedule of Revenues and Expenses<br>For the Years Ended June 30, 2020, 2019, and 2018              | 2                | 30                      |
| Graph of Revenues<br>For the Years Ended June 30, 2020, 2019, and 2018                              | 3                | 31                      |
| Graph of Expenses<br>For the Years Ended June 30, 2020, 2019, and 2018                              | 4                | 32                      |

**TABLE OF CONTENTS**  
**(Continued)**

June 30, 2020 and 2019

Page  
Numbers

**Special Reports of Certified Public Accountants**

|   |         |
|---|---------|
| 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 <i>Government Auditing Standards</i> | 33 - 34 |
| Schedule of Findings and Responses  | 35      |

**Reports by Management**

|   |    |
|---|----|
| Schedule of Prior Year Findings and Responses | 36 |
| Management's Corrective Action Plan           | 37 |

**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of MacDonell United Methodist Children's Services, Inc. (the "Agency"), a nonprofit organization, which comprise the Statements of Financial Position as of June 30, 2020 and 2019 and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements 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 the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021 on our consideration of the Agency'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 the Agency's internal control over financial reporting and compliance.



Certified Public Accountants.

Houma, Louisiana,  
February 8, 2021.

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

June 30, 2020 and 2019

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| Cash  | \$ 708,828          | \$ 523,538          |
| Investments   | 390,582             | 390,724             |
| Accounts receivable, state agencies                   | 50,680              | 73,210              |
| Prepaid insurance                                     | 24,614              | 21,502              |
| Assets restricted for future years' use of facilities | 960,397             | 1,058,876           |
| Restricted trust - investments                        | 143,344             | 137,895             |
| Property and equipment, net                           | 653,475             | 257,890             |
| Other receivables                                     | 7,415               | 1,449               |
| Deposits  | 200                 | 200                 |
|   | <u>200</u>          | <u>200</u>          |
| Total assets  | <u>\$ 2,939,535</u> | <u>\$ 2,465,284</u> |
| <b>Liabilities</b>                                    |                     |                     |
| Accounts payable                                      | \$ 59,746           | \$ 33,100           |
| Accrued salaries and compensated absences             | 28,667              | 21,078              |
| Payroll taxes payable                                 | 4,781               | 5,307               |
| Other liabilities                                     | 3,567               | 1,564               |
| Notes payable   | 16,882              | 21,059              |
| Loan payable  | 112,800             | -                   |
|   | <u>112,800</u>      | <u>-</u>            |
| Total liabilities                                     | <u>226,443</u>      | <u>82,108</u>       |
| <b>Net Assets</b>                                     |                     |                     |
| Without donor restrictions:                           |                     |                     |
| Designated  | 168,927             | 168,927             |
| Undesignated  | 1,519,677           | 1,091,282           |
|   | <u>1,519,677</u>    | <u>1,091,282</u>    |
| Total net assets without donor restrictions           | 1,688,604           | 1,260,209           |
| With donor restrictions                               | 1,024,488           | 1,122,967           |
|   | <u>1,024,488</u>    | <u>1,122,967</u>    |
| Total net assets                                      | <u>2,713,092</u>    | <u>2,383,176</u>    |
| Totals  | <u>\$ 2,939,535</u> | <u>\$ 2,465,284</u> |

See notes to financial statements.



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

For the years ended June 30, 2020 and 2019

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| <b>Unrestricted Net Assets</b>   |                  |                  |
| Support:   |                  |                  |
| State of Louisiana - Department of Social Services   | \$ 717,513       | \$ 741,381       |
| General Board of Global Ministries of the United<br>Methodist Church                             | 25,998           | 34,412           |
| Churches and other affiliates  | 8,021            | 11,021           |
| Contributions of individuals and other<br>non-church affiliations                                | 440,943          | 102,881          |
| In-kind contributions, insurance   | 20,831           | 55,981           |
| In-kind contributions  | 60,854           | 66,575           |
| Special events   | 137,158          | 133,604          |
|  | <u>1,411,318</u> | <u>1,145,855</u> |
| Total unrestricted support   |                  |                  |
| Revenue:   |                  |                  |
| Interest income, bank accounts   | 4,336            | 1,799            |
| Investment return  | 9,251            | 15,538           |
| Loss on disposal of assets   | (5,492)          | (18,637)         |
| Other income   | 191,493          | 143,357          |
|  | <u>199,588</u>   | <u>142,057</u>   |
| Total unrestricted revenue   |                  |                  |
| Net assets released from restrictions:   |                  |                  |
| Use of facilities  | 98,479           | 92,758           |
| Earnings of the restricted trust   | 856              | 855              |
|  | <u>99,335</u>    | <u>93,613</u>    |
| Total net assets released from restrictions  |                  |                  |
| Total unrestricted support, revenue and net assets<br>released from restrictions (carry forward) | <u>1,710,241</u> | <u>1,381,525</u> |

**Exhibit B  
(Continued)**

|   | 2020         | 2019         |
|---|--------------|--------------|
| Total unrestricted support, revenue and net assets released from restrictions (brought forward) | 1,710,241    | 1,381,525    |
| <b>Expenses</b>   |              |              |
| Program services:   |              |              |
| Plant operations and maintenance  | 224,830      | 188,645      |
| Costs related to capital assets   | 180,477      | 180,941      |
| Dietary   | 64,237       | 74,618       |
| Laundry and linen   | 8,038        | 5,326        |
| Personal client needs   | 3,971        | 5,047        |
| Medical and nursing   | 4,384        | 3,026        |
| Therapeutic and training  | 352,510      | 309,989      |
| Recreational  | 61,879       | 64,181       |
| Total program services  | 900,326      | 831,773      |
| Support services:   |              |              |
| Administrative and general  | 305,377      | 314,492      |
| Fund raising  | 76,144       | 112,217      |
| Total support services  | 381,520      | 426,709      |
| Total expenses  | 1,281,846    | 1,258,482    |
| <b>Increase in Net Assets Without Donor Restrictions</b>  | 428,395      | 123,043      |
| <b>Net Assets With Donor Restrictions</b>   |              |              |
| Net assets released from restrictions for use of facilities                                     | (98,479)     | (92,758)     |
| Interest and dividends earned in restricted trust   | 856          | 855          |
| Restricted trust earnings released from restrictions  | (856)        | (855)        |
| <b>Decrease in Net Assets With Donor Restrictions</b>   | (98,479)     | (92,758)     |
| <b>Increase in Net Assets</b>   | 329,916      | 30,285       |
| <b>Net Assets</b>   |              |              |
| Beginning of year   | 2,383,176    | 2,352,891    |
| End of year   | \$ 2,713,092 | \$ 2,383,176 |
| See notes to financial statements.  |              |              |

**STATEMENT OF FUNCTIONAL EXPENSES**

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

Houma, Louisiana

For the year ended June 30, 2020

|  | Program Services                          |  |                  |                         |                             |                           |
|--|---|--|------------------|-------------------------|-----------------------------|---------------------------|
|  | Plant<br>Operations<br>and<br>Maintenance | Costs<br>Related to<br>Capital<br>Assets | Dietary          | Laundry<br>and<br>Linen | Personal<br>Client<br>Needs | Medical<br>and<br>Nursing |
| Salaries   | \$ 36,867                                 | \$ -                                     | \$ -             | \$ -                    | \$ -                        | \$ -                      |
| Payroll taxes  | 2,676                                     | -  | -                | -                       | -                           | -                         |
| Total salaries and<br>related expenses               | 39,543                                    | -  | -                | -                       | -                           | -                         |
| Activities and supplies                              | -   | -  | -                | -                       | -                           | -                         |
| Advertising and promotion                            | -   | -  | -                | -                       | -                           | -                         |
| Allowances   | -   | -  | -                | -                       | -                           | -                         |
| Auction items - Vol. Gala                            | -   | -  | -                | -                       | -                           | -                         |
| Building and grounds maintenance                     | 56,259                                    | -  | -                | -                       | -                           | -                         |
| Building and grounds repair                          | 30,057                                    | -  | -                | -                       | -                           | -                         |
| Clothing   | -   | -  | -                | -                       | 2,089                       | -                         |
| Decoration supplies - Vol. Gala                      | -   | -  | -                | -                       | -                           | -                         |
| Depreciation:  |   |  |                  |                         |                             |                           |
| Building   | -   | 1,072                                    | -                | -                       | -                           | -                         |
| Furniture and equipment                              | -   | 9,218                                    | -                | -                       | -                           | -                         |
| Leasehold improvements                               | -   | 10,853                                   | -                | -                       | -                           | -                         |
| Donated use of facilities                            | -   | 159,333                                  | -                | -                       | -                           | -                         |
| Dues   | -   | -  | -                | -                       | -                           | -                         |
| Entertainment - Vol. Gala                            | -   | -  | -                | -                       | -                           | -                         |
| Facility production - Vol. Gala                      | -   | -  | -                | -                       | -                           | -                         |
| Food and beverage                                    | -   | -  | 64,237           | -                       | -                           | -                         |
| Food and beverage - Vol. Gala                        | -   | -  | -                | -                       | -                           | -                         |
| Information technology                               | 10,101                                    | -  | -                | -                       | -                           | -                         |
| Insurance  | 63,596                                    | -  | -                | -                       | -                           | -                         |
| Interest expense                                     | -   | -  | -                | -                       | -                           | -                         |
| License  | -   | -  | -                | -                       | -                           | -                         |
| Medical supplies                                     | -   | -  | -                | -                       | -                           | 4,384                     |
| Miscellaneous  | -   | -  | -                | -                       | -                           | -                         |
| Motor vehicles - expenses<br>and allowances          | -   | -  | -                | -                       | -                           | -                         |
| Office supplies                                      | -   | -  | -                | -                       | -                           | -                         |
| Personal items                                       | -   | -  | -                | -                       | 1,882                       | -                         |
| Postage  | -   | -  | -                | -                       | -                           | -                         |
| Postage - Vol. Gala                                  | -   | -  | -                | -                       | -                           | -                         |
| Printing   | -   | -  | -                | -                       | -                           | -                         |
| Professional services                                | -   | -  | -                | -                       | -                           | -                         |
| Repairs and maintenance -<br>furniture and equipment | 462                                       | -  | -                | -                       | -                           | -                         |
| Subscriptions  | -   | -  | -                | -                       | -                           | -                         |
| Supplies   | 2,685                                     | -  | -                | 8,038                   | -                           | -                         |
| Telephone  | 5,673                                     | -  | -                | -                       | -                           | -                         |
| Travel and seminar expenses                          | -   | -  | -                | -                       | -                           | -                         |
| Utilities  | 16,454                                    | -  | -                | -                       | -                           | -                         |
| Totals   | <u>\$ 224,830</u>                         | <u>\$ 180,477</u>                        | <u>\$ 64,237</u> | <u>\$ 8,038</u>         | <u>\$ 3,971</u>             | <u>\$ 4,384</u>           |

See notes to financial statements.

| Program Services         |                  | Support Services       |                            |                  |                        |                     |
|--------------------------|------------------|------------------------|----------------------------|------------------|------------------------|---------------------|
| Therapeutic and Training | Recreational     | Total Program Services | Administrative and General | Fund Raising     | Total Support Services | Totals              |
| \$ 327,293               | \$ 34,642        | \$ 398,802             | \$ 151,753                 | \$ -             | \$ 151,753             | \$ 550,555          |
| 25,217                   | 2,475            | 30,368                 | 10,778                     | -                | 10,778                 | 41,146              |
| 352,510                  | 37,117           | 429,170                | 162,531                    | -                | 162,531                | 591,701             |
| -                        | 24,422           | 24,422                 | -                          | -                | -                      | 24,422              |
| -                        | -                | -                      | 4,755                      | -                | 4,755                  | 4,755               |
| -                        | -                | -                      | -                          | -                | -                      | -                   |
| -                        | -                | 56,259                 | -                          | -                | -                      | 56,259              |
| -                        | -                | 30,057                 | -                          | -                | -                      | 30,057              |
| -                        | -                | 2,089                  | -                          | -                | -                      | 2,089               |
| -                        | -                | -                      | -                          | 1,713            | 1,713                  | 1,713               |
| -                        | -                | 1,072                  | 465                        | 603              | 1,068                  | 2,140               |
| -                        | -                | 9,218                  | 3,998                      | 5,183            | 9,182                  | 18,400              |
| -                        | -                | 10,853                 | 4,707                      | 6,102            | 10,810                 | 21,663              |
| -                        | -                | 159,333                | -                          | -                | -                      | 159,333             |
| -                        | -                | -                      | 2,648                      | -                | 2,648                  | 2,648               |
| -                        | -                | -                      | -                          | 2,400            | 2,400                  | 2,400               |
| -                        | -                | -                      | -                          | 1,425            | 1,425                  | 1,425               |
| -                        | -                | 64,237                 | -                          | -                | -                      | 64,237              |
| -                        | -                | -                      | -                          | 4,087            | 4,087                  | 4,087               |
| -                        | -                | 10,101                 | 4,381                      | 5,680            | 10,061                 | 20,162              |
| -                        | -                | 63,596                 | 27,585                     | 35,762           | 63,347                 | 126,943             |
| -                        | -                | -                      | 630                        | -                | 630                    | 630                 |
| -                        | -                | -                      | 657                        | -                | 657                    | 657                 |
| -                        | -                | 4,384                  | -                          | -                | -                      | 4,384               |
| -                        | -                | -                      | 10,229                     | -                | 10,229                 | 10,229              |
| -                        | -                | -                      | 8,364                      | -                | 8,364                  | 8,364               |
| -                        | -                | -                      | 6,667                      | -                | 6,667                  | 6,667               |
| -                        | -                | 1,882                  | -                          | -                | -                      | 1,882               |
| -                        | -                | -                      | 2,967                      | -                | 2,967                  | 2,967               |
| -                        | -                | -                      | -                          | 123              | 123                    | 123                 |
| -                        | -                | -                      | 4,809                      | 623              | 5,432                  | 5,432               |
| -                        | -                | -                      | 42,047                     | -                | 42,047                 | 42,047              |
| -                        | -                | 462                    | -                          | -                | -                      | 462                 |
| -                        | -                | -                      | 709                        | -                | 709                    | 709                 |
| -                        | 340              | 11,063                 | 6,297                      | -                | 6,297                  | 17,360              |
| -                        | -                | 5,673                  | 2,460                      | 3,190            | 5,650                  | 11,323              |
| -                        | -                | -                      | 1,333                      | -                | 1,333                  | 1,333               |
| -                        | -                | 16,454                 | 7,137                      | 9,252            | 16,389                 | 32,843              |
| <u>\$ 352,510</u>        | <u>\$ 61,879</u> | <u>\$ 900,326</u>      | <u>\$ 305,377</u>          | <u>\$ 76,144</u> | <u>\$ 381,520</u>      | <u>\$ 1,281,846</u> |

**STATEMENT OF FUNCTIONAL EXPENSES**

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

For the year ended June 30, 2019

|   | Program Services                          |  |                  |                         |                             |                           |
|---|---|--|------------------|-------------------------|-----------------------------|---------------------------|
|   | Plant<br>Operations<br>and<br>Maintenance | Costs<br>Related to<br>Capital<br>Assets | Dietary          | Laundry<br>and<br>Linen | Personal<br>Client<br>Needs | Medical<br>and<br>Nursing |
| Salaries  | \$ 56,048                                 | \$ -                                     | \$ -             | \$ -                    | \$ -                        | \$ -                      |
| Payroll taxes                                     | 4,497                                     | -  | -                | -                       | -                           | -                         |
| Total salaries and related expenses               | 60,545                                    | -  | -                | -                       | -                           | -                         |
| Activities and supplies                           | -   | -  | -                | -                       | -                           | -                         |
| Advertising and promotion                         | -   | -  | -                | -                       | -                           | -                         |
| Allowances  | -   | -  | -                | -                       | -                           | -                         |
| Building and grounds maintenance                  | 19,081                                    | -  | -                | -                       | -                           | -                         |
| Building and grounds repair                       | 9,015                                     | -  | -                | -                       | -                           | -                         |
| Clothing  | -   | -  | -                | -                       | 3,930                       | -                         |
| Decorations - Vol. Gala                           | -   | -  | -                | -                       | -                           | -                         |
| Depreciation:                                     |   |  |                  |                         |                             |                           |
| Building  | -   | 1,111                                    | -                | -                       | -                           | -                         |
| Furniture and equipment                           | -   | 12,069                                   | -                | -                       | -                           | -                         |
| Leasehold improvements                            | -   | 8,428                                    | -                | -                       | -                           | -                         |
| Donated use of facilities                         | -   | 159,333                                  | -                | -                       | -                           | -                         |
| Dues  | -   | -  | -                | -                       | -                           | -                         |
| Entertainment - Vol. Gala                         | -   | -  | -                | -                       | -                           | -                         |
| Facility Production - Vol. Gala                   | -   | -  | -                | -                       | -                           | -                         |
| Food and beverage                                 | -   | -  | 74,618           | -                       | -                           | -                         |
| Food and beverage - Vol. Gala                     | -   | -  | -                | -                       | -                           | -                         |
| Information Technology                            | 6,483                                     | -  | -                | -                       | -                           | -                         |
| Insurance   | 66,598                                    | -  | -                | -                       | -                           | -                         |
| Insurance - Vol. Gala                             | -   | -  | -                | -                       | -                           | -                         |
| Interest expense                                  | -   | -  | -                | -                       | -                           | -                         |
| License   | -   | -  | -                | -                       | -                           | -                         |
| Medical supplies                                  | -   | -  | -                | -                       | -                           | 3,026                     |
| Miscellaneous                                     | -   | -  | -                | -                       | -                           | -                         |
| Motor vehicles - expenses and allowances          | -   | -  | -                | -                       | -                           | -                         |
| Office supplies                                   | -   | -  | -                | -                       | -                           | -                         |
| Personal items                                    | -   | -  | -                | -                       | 1,117                       | -                         |
| Postage   | -   | -  | -                | -                       | -                           | -                         |
| Postage - Vol. Gala                               | -   | -  | -                | -                       | -                           | -                         |
| Printing  | -   | -  | -                | -                       | -                           | -                         |
| Professional services                             | -   | -  | -                | -                       | -                           | -                         |
| Repairs and maintenance - furniture and equipment | 1,257                                     | -  | -                | -                       | -                           | -                         |
| Subscriptions                                     | -   | -  | -                | -                       | -                           | -                         |
| Supplies  | 1,845                                     | -  | -                | 5,326                   | -                           | -                         |
| Telephone   | 4,804                                     | -  | -                | -                       | -                           | -                         |
| Travel and seminar expenses                       | -   | -  | -                | -                       | -                           | -                         |
| Utilities   | 19,017                                    | -  | -                | -                       | -                           | -                         |
| Totals  | <u>\$ 188,645</u>                         | <u>\$ 180,941</u>                        | <u>\$ 74,618</u> | <u>\$ 5,326</u>         | <u>\$ 5,047</u>             | <u>\$ 3,026</u>           |

See notes to financial statements.

| Program Services         |                  |                        | Support Services           |                   |                        | Totals              |
|--------------------------|------------------|------------------------|----------------------------|-------------------|------------------------|---------------------|
| Therapeutic and Training | Recreational     | Total Program Services | Administrative and General | Fund Raising      | Total Support Services |                     |
| \$ 286,408               | \$ 41,167        | \$ 383,623             | \$ 147,472                 | \$ -              | \$ 147,472             | \$ 531,095          |
| 23,581                   | 2,132            | 30,210                 | 11,644                     | -                 | 11,644                 | 41,854              |
| 309,989                  | 43,299           | 413,833                | 159,113                    | -                 | 159,113                | 572,946             |
| -                        | 20,882           | 20,882                 | -                          | -                 | -                      | 20,882              |
| -                        | -                | -                      | 7,057                      | -                 | 7,057                  | 7,057               |
| -                        | -                | -                      | -                          | -                 | -                      | -                   |
| -                        | -                | 19,081                 | -                          | 34,733            | 34,733                 | 53,814              |
| -                        | -                | 9,015                  | -                          | -                 | -                      | 9,015               |
| -                        | -                | 3,930                  | -                          | -                 | -                      | 3,930               |
| -                        | -                | -                      | -                          | -                 | -                      | -                   |
| -                        | -                | -                      | -                          | 917               | 917                    | 917                 |
| -                        | -                | 1,111                  | -                          | -                 | -                      | 1,111               |
| -                        | -                | 12,069                 | 482                        | 625               | 1,107                  | 13,176              |
| -                        | -                | 8,428                  | 5,235                      | 6,787             | 12,022                 | 20,450              |
| -                        | -                | 159,333                | 3,656                      | 4,740             | 8,396                  | 167,729             |
| -                        | -                | -                      | -                          | -                 | -                      | -                   |
| -                        | -                | -                      | 2,686                      | -                 | 2,686                  | 2,686               |
| -                        | -                | -                      | -                          | 500               | 500                    | 500                 |
| -                        | -                | 74,618                 | -                          | 3,510             | 3,510                  | 78,128              |
| -                        | -                | -                      | -                          | -                 | -                      | -                   |
| -                        | -                | 6,483                  | -                          | 3,306             | 3,306                  | 9,789               |
| -                        | -                | 66,598                 | 2,812                      | 3,646             | 6,458                  | 73,056              |
| -                        | -                | -                      | 28,887                     | 37,450            | 66,337                 | 66,337              |
| -                        | -                | -                      | 949                        | -                 | 949                    | 949                 |
| -                        | -                | -                      | -                          | -                 | -                      | -                   |
| -                        | -                | 3,026                  | -                          | -                 | -                      | 3,026               |
| -                        | -                | -                      | 9,384                      | -                 | 9,384                  | 9,384               |
| -                        | -                | -                      | 10,875                     | -                 | 10,875                 | 10,875              |
| -                        | -                | -                      | 4,319                      | 828               | 5,147                  | 5,147               |
| -                        | -                | 1,117                  | -                          | -                 | -                      | 1,117               |
| -                        | -                | -                      | 2,886                      | -                 | 2,886                  | 2,886               |
| -                        | -                | -                      | -                          | 619               | 619                    | 619                 |
| -                        | -                | -                      | 6,846                      | 1,160             | 8,006                  | 8,006               |
| -                        | -                | -                      | 52,647                     | -                 | 52,647                 | 52,647              |
| -                        | -                | 1,257                  | -                          | -                 | -                      | 1,257               |
| -                        | -                | -                      | 690                        | -                 | 690                    | 690                 |
| -                        | -                | 7,171                  | 4,826                      | -                 | 4,826                  | 11,997              |
| -                        | -                | 4,804                  | 2,084                      | 2,702             | 4,786                  | 9,590               |
| -                        | -                | -                      | 809                        | -                 | 809                    | 809                 |
| -                        | -                | 19,017                 | 8,249                      | 10,694            | 18,943                 | 37,960              |
| <u>\$ 309,989</u>        | <u>\$ 64,181</u> | <u>\$ 831,773</u>      | <u>\$ 314,492</u>          | <u>\$ 112,217</u> | <u>\$ 426,709</u>      | <u>\$ 1,258,482</u> |

**STATEMENTS OF CASH FLOWS****MacDonell United Methodist Children's Services, Inc.**  
Houma, Louisiana

For the years ended June 30, 2020 and 2019

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>  |                   |                   |
| Increase in net assets   | \$ 329,916        | \$ 30,285         |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities: |                   |                   |
| Non-cash lease expense   | 98,479            | 92,758            |
| Depreciation   | 42,203            | 43,133            |
| Loss from disposition of equipment   | 5,492             | 18,637            |
| Realized gain on sale of investments   | (3,972)           | (6,617)           |
| Unrealized loss (gains) on investments   | 333               | (3,394)           |
| Decrease (increase) in assets:   |                   |                   |
| Receivables  | 16,564            | (4,019)           |
| Prepaid insurance  | (3,112)           | (2,593)           |
| Increase (decrease) in liabilities:  |                   |                   |
| Accounts payable   | 26,646            | 13,612            |
| Accrued salaries and vacation  | 7,589             | (13,806)          |
| Payroll taxes payable  | (526)             | 3,242             |
| Other liabilities  | 2,003             | (2,579)           |
| Total adjustments  | <u>191,699</u>    | <u>138,374</u>    |
| Net cash provided by operating activities  | <u>521,615</u>    | <u>168,659</u>    |
| <b>Cash Flows from Investing Activities</b>  |                   |                   |
| Purchases of equipment   | (447,080)         | (33,295)          |
| Proceeds from sales of assets  | 3,800             | 14,848            |
| Purchases of investments   | (6,468)           | (106,382)         |
| Proceeds of investments sold   | 4,800             | 4,800             |
| Net cash used in investing activities  | <u>(444,948)</u>  | <u>(120,029)</u>  |
| <b>Cash Flows from Financing Activities</b>  |                   |                   |
| Proceeds of loan payable   | 112,800           | -                 |
| Principal payments of long-term debt   | (4,177)           | (4,006)           |
| Net cash provided by (used in) financing activities  | <u>108,623</u>    | <u>(4,006)</u>    |
| Net increase in cash   | 185,290           | 44,624            |
| <b>Cash</b>  |                   |                   |
| Beginning of year  | <u>523,538</u>    | <u>478,914</u>    |
| End of year  | <u>\$ 708,828</u> | <u>\$ 523,538</u> |

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

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

June 30, 2020 and 2019

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a) Organization**

MacDonell United Methodist Children's Services, Inc. (the "Agency") 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 Agency is a residential home for children whose circumstances leave them in need of a safe group living experience. The Agency provides around-the-clock care, education, Christian nurture, study and treatment for children in need of care outside their own homes. The Agency is licensed by the Louisiana State Department of Social Services for 11 residents as of both June 30, 2020 and June 30, 2019.

**b) Basis of Accounting**

Funds are accounted for using the accrual basis of accounting. Support and revenues are recognized when earned and expenses are recognized when incurred.

**c) Financial Statement Presentation**

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations.

**Net Assets with Donor Restrictions** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency, the passage of time, or are to be held in perpetuity by the Agency.



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

**d) Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

**e) Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, exclusive of investments in the Operating and Restricted Trusts. The Agency had no cash equivalents as of June 30, 2020 and 2019.

**f) Investments**

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 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 Restrictive Trust includes but is not limited to restrictive net assets, as defined by ASC 958-210-20.

Pooled accounts managed by the Greater New Orleans Foundation are reported at fair market value, including any pro rata gains and losses.

**g) Fair Values of Financial Instruments**

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.

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

**h) Bad Debts**

The financial statements of the Agency 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.

**i) Promises to Give/Contributions**

Contributions are recognized when a donor makes an unconditional promise to give to the Agency. 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. There were no conditional promises to give as of June 30, 2020 and 2019.

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

Support that is restricted by the donor is reported as an increase in donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

**j) Property and Equipment**

Property and equipment are recorded at cost and are depreciated or amortized by the straight-line method over their estimated useful lives as follows:

|                         |               |
|-------------------------|---------------|
| Buildings               | 10 - 20 years |
| Leasehold improvements  | 10 - 25 years |
| Land improvements       | 11 - 20 years |
| Furniture and fixtures  | 7 - 8 years   |
| Machinery and equipment | 5 - 15 years  |
| Autos and trucks        | 3 - 5 years   |

Additions and betterments of \$250 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts and gains or losses thereon are included in operations. Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$42,203 and \$43,133, respectively.

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

**k) Donated Leased Property**

Donations of leased property are recorded as support at the estimated fair value of the lease at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donations for the use of property with explicit restrictions on time and use are reported as restricted support based on the estimated fair value of use. It is the Agency's policy to apply the time and use restrictions based on the assets' estimated fair values of use and term of use. The most recent independent appraisal of the use of the property is dated January 11, 1999. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service or used as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**l) Donated Services and Materials**

The National Division of the Board of Global Ministries of the United Methodist Church pays the "fire and extended coverage" insurance premium and fidelity bond coverage for the Agency. The donated premiums are recorded as contributions at their estimated fair values at the date of donation.

No amounts have been reflected in the financial statements for donated services and materials because there is no objective basis available to measure the value of such services and materials.

**m) Compensated Absences**

Full-time staff are entitled to paid vacations and holiday time after one full year of employment. Holiday time not taken is accrued from year to year. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year unless the Agency requests an employee to postpone vacation for the good of the program. Terminating employees will be paid for unused vacation leave and holiday time if leaving prior to their anniversary date. The total amount of accrued accumulated vacation leave and holiday time as of June 30, 2020 and 2019 was \$10,842 and \$8,523, 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.

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

**n) Designated Net Assets**

As of both June 30, 2020 and 2019, the Board designated \$168,927 of its net assets to be used for subsequent years' plant expansion.

**o) Methods Used for Allocation of Expenses**

Most of the expenses can be directly allocated to one of the programs or supporting services. The financial statements also report certain categories of expenses that are attributable to more than one program or supporting service. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, information technology, insurance, telephone, and utilities which are allocated based on estimated square footage.

**p) Income Taxes**

The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency 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).

**q) Recently Issued Accounting Standards**

**Statement of Cash Flows**

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, "*Statement of Cash Flows*" (Topic 230). ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The amendments in ASU No. 2016-18 do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for fiscal years beginning after December 15, 2018. The Agency has adopted the provisions of ASU No. 2016-18 and has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2019.

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

**q) Recently Issued Accounting Standards (Continued)**

**Contributions Received and Made**

In June 2018, the FASB issued ASU No. 2018-08, *"Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made"*. ASU No. 2018-08 should assist entities in (1) evaluation of whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for fiscal years beginning after December 18, 2018. The Agency has adopted the provisions of ASU No. 2018-08 and has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2019.

**Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers"* (Topic 606), which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU No. 2014-09, the FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The ASU is effective for annual reporting periods beginning after December 15, 2020, with certain early adoption provisions available. The Agency is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**Leases**

In February 2016, the FASB issued ASU No. 2016-02, *"Leases"* (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statement of Activities and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Agency is currently evaluating the full effect that the adoption of this standard will have on the 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 \$533,926 and \$528,619 as of June 30, 2020 and 2019, respectively. The following schedule summarizes investment returns and their classification in the Statements of Activities for the years ended:

|                                      | June 30, 2020 |            |          |
|--------------------------------------|---------------|------------|----------|
|                                      | Unrestricted  | Restricted | Totals   |
| Dividends and interest income        | \$ 7,249      | \$856      | \$ 8,105 |
| Net realized and<br>unrealized gains | 3,639         | -          | 3,639    |
| Fees                                 | (1,637)       | -          | (1,637)  |
| Total investment<br>return           | \$ 9,251      | \$856      | \$10,107 |
|                                      | June 30, 2019 |            |          |
|                                      | Unrestricted  | Restricted | Totals   |
| Dividends and interest income        | \$ 7,060      | \$855      | \$ 7,915 |
| Net realized and<br>unrealized gains | 10,011        | -          | 10,011   |
| Fees                                 | (1,533)       | -          | (1,533)  |
| Total investment<br>return           | \$15,538      | \$855      | \$16,393 |

**Note 3 - FAIR VALUE MEASUREMENT**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

**Note 3 - FAIR VALUE MEASUREMENT (Continued)**

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 advisers, 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 Agency 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.

**Note 3 - FAIR VALUE MEASUREMENT (Continued)**

For the year ended June 30, 2020 and 2019, 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, 2020 and 2019 measured at fair value on a recurring basis are comprised of and determined as follows:

| Description  | 2020              |  |  |                                     |
|--|-------------------|--|--|-------------------------------------|
|  | Fair Value        | Quoted Prices<br>in Active<br>Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) |
| Operating Trust managed by<br>United Methodist Foundation    | \$ 165,806        | \$ -   | \$ 165,806                                 | \$ -                                |
| Pooled accounts managed by<br>Greater New Orleans Foundation | 224,776           | -  | 224,776                                    | -                                   |
|  | 390,582           | -  | 390,582                                    | -                                   |
| Restricted Trust managed by<br>United Methodist Foundation   | 143,344           | -  | 143,344                                    | -                                   |
| Totals   | <u>\$ 533,926</u> | <u>\$ -</u>  | <u>\$ 533,926</u>                          | <u>\$ -</u>                         |
| Description  | 2019              |  |  |                                     |
|  | Fair Value        | Quoted Prices<br>in Active<br>Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) |
| Operating Trust managed by<br>United Methodist Foundation    | \$ 168,993        | \$ -   | \$ 168,993                                 | \$ -                                |
| Pooled accounts managed by<br>Greater New Orleans Foundation | 221,731           | -  | 221,731                                    | -                                   |
|  | 390,724           | -  | 390,724                                    | -                                   |
| Restricted Trust managed by<br>United Methodist Foundation   | 137,895           | -  | 137,895                                    | -                                   |
| Totals   | <u>\$ 528,619</u> | <u>\$ -</u>  | <u>\$ 528,619</u>                          | <u>\$ -</u>                         |

As of June 30, 2020 and 2019, there were no assets measured at fair values on a non-recurring basis.



**Note 3 - FAIR VALUE MEASUREMENT (Continued)**

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 Restrictive 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, smooth rate of return across all market environments. Information below for the Operating and Restrictive Trusts are as of June 30, 2020 and 2019, while Greater New Orleans Foundation is as of June 30, 2020 and 2019, consisted of the following:

|   | Operating and<br>Restrictive Trust |        | Greater New<br>Orleans Foundation |        |
|---|------------------------------------|--------|-----------------------------------|--------|
|   | 2020                               | 2019   | 2020                              | 2019   |
| Cash and cash equivalents               | 6.3%                               | 4.0%   | 16.1%                             | 16.0%  |
| Fixed income securities                 | 41.6%                              | 44.7%  | 57.8%                             | 66.6%  |
| Equities                                | 34.2%                              | 37.9%  | 26.1%                             | 17.4%  |
| Real estate and<br>mortgage receivables | 8.5%                               | 5.3%   | -                                 | -      |
| Hedge funds                             | 9.4%                               | 8.1%   | -                                 | -      |
| Totals                                  | 100.0%                             | 100.0% | 100.0%                            | 100.0% |

**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. A portion of the net assets with donor restrictions include the present value of a lease agreement between the Agency and the Women's Division of the General Board of Global Ministries of the United Methodist Church, the owner of certain land and buildings occupied by the Agency. The lease restricts the use of land, the Executive Director's residence, the administration building and various cottages to a residential treatment agency for children and youth for the fourteen years and nine months ending December 31, 2027. The present value of the lease, \$960,397 and \$1,058,876 as of June 30, 2020 and 2019 respectively, was determined by applying the time restriction to the use cost of the property, which is determined by multiplying the annual rental, based on an independent appraisal, by the number of years remaining on the lease. A discount rate of 6% was used to determine the present value for the years ended June 30, 2020 and 2019. The annual lease rental for both the years ended June 30, 2020 and 2019 was \$159,333.

**Note 4 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Also included in net assets with donor restrictions as of June 30, 2020 and 2019 is \$35,816 in assets restricted for the purpose of construction of a girl's dormitory.

Donor restricted net assets as of June 30, 2020 and 2019 are available for the following purposes or periods:

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| Subject to expenditure for a specified purpose:            |                     |                     |
| Present value of the lease agreement                       | \$ 960,397          | \$ 1,058,876        |
| Construction of a girl's dormitory                         | 35,816              | 35,816              |
| Subject to the Agency's spending policy and appropriation: |                     |                     |
| Funds held in perpetuity                                   | 28,275              | 28,275              |
| Totals   | <u>\$ 1,024,488</u> | <u>\$ 1,122,967</u> |

**Note 5 - GOVERNING BOARD DESIGNATIONS**

Governing Board designations consist of the following as of June 30, 2020 and 2019:

|                                | 2020              | 2019              |
|--------------------------------|-------------------|-------------------|
| Designated for plant expansion | <u>\$ 168,927</u> | <u>\$ 168,927</u> |

**Note 6 - PROPERTY AND EQUIPMENT**

As of June 30, 2020 and 2019, property and equipment consists of the following:

|                               | 2020              | 2019              |
|-------------------------------|-------------------|-------------------|
| Land and land improvements    | \$ 82,046         | \$ 82,046         |
| Buildings                     | 51,619            | 51,619            |
| Leasehold improvements        | 1,296,967         | 903,977           |
| Machinery and equipment       | 187,338           | 168,153           |
| Furniture and fixtures        | 88,102            | 87,492            |
| Autos and trucks              | 94,260            | 74,637            |
| Total property and equipment  | 1,800,332         | 1,367,924         |
| Less accumulated depreciation | (1,146,857)       | (1,110,034)       |
| Net property and equipment    | <u>\$ 653,475</u> | <u>\$ 257,890</u> |

**Note 7 - NOTES PAYABLE**

The Agency has a promissory note to the United Methodist Foundation with a balance of \$16,882 and \$21,059 as of June 30, 2020 and 2019, respectively. The note is secured with funds on deposit in the Operating and Restrictive Trusts, \$309,150 as of June 30, 2020 and payable in monthly installments of \$372 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 2%, 3% as of June 30, 2020. 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, 2020, the Agency made average monthly payments of \$400 on the note with the payment in excess of the required installment being applied to the principal balance. Accordingly, the principal balance of the note will become fully paid by August 1, 2024 under the existing terms of the note.

Future principal payments to be made on the note as of June 30, 2020 are as follows:

| Year Ending<br>June 30, | Amount          |
|-------------------------|-----------------|
| 2021                    | \$ 3,998        |
| 2022                    | 4,120           |
| 2023                    | 4,245           |
| 2024                    | <u>4,519</u>    |
| Total                   | <u>\$16,882</u> |

The Agency recorded interest expense of \$630 and \$949 for the years ended June 30, 2020 and 2019, respectively.

**Note 8 - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE**

On April 20, 2020, the Agency received a \$112,800 loan from Synergy Bank under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration (SBA). Interest on the loan is 1%. Management expects this loan will be repaid within 12 months and that a substantial amount of expenditures paid from the loan proceeds will be approved as eligible for the loan forgiveness under the requirements of the PPP program. Any amounts not forgiven would be amortized over a period of two years.

**Note 9 - LEASE COMMITMENTS**

On May 1, 2018 the Agency entered into a five year operating lease agreement for office equipment. The lease terms provide for monthly rental payments of \$220.

Future minimum lease payments under the outstanding leases as of June 30, 2020 are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Amount</u>   |
|---------------------------------|-----------------|
| 2021                            | \$ 2,646        |
| 2022                            | 2,646           |
| 2023                            | 2,646           |
| 2024                            | <u>2,645</u>    |
| Total                           | <u>\$10,583</u> |

Rental expense for the years end June 30, 2020 and 2019 totaled \$4,398 and \$5,127, respectively.

**Note 10 - INCOME TAXES**

The Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for years ended June 30, 2020 and 2019.

The Agency files its forms 990 in the U.S. federal jurisdiction. The Agency is generally no longer subject to examination by the Internal Revenue Service for years before 2017.

**Note 11 - RISK MANAGEMENT**

The Agency 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, 2020 and 2019.

**Note 12 - CONCENTRATION OF RISK**

MacDonell United Methodist Children's Services, Inc. maintains several bank accounts at Whitney Bank and Synergy Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2020, cash in excess of the federally insured limits was approximately \$240,000.

**Note 13 - AVAILABILITY OF FINANCIAL ASSETS**

The Agency 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 Agency'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 Agency 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 Agency'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.

**Note 13 - AVAILABILITY OF FINANCIAL ASSETS (Continued)**

The following table represents financial assets available for general expenditures within one year as of June 30, 2020.

|  |                   |
|--|-------------------|
| Financial assets as of June 30, 2020:  |                   |
| Cash and cash equivalents  | \$ 708,828        |
| Investments  | 390,582           |
| Accounts receivable, state agencies  | 50,680            |
| Other receivables  | <u>7,415</u>      |
| Total financial assets, as of<br>June 30, 2020   | 1,157,505         |
| Less amounts unavailable for general<br>expenditures within one year, due to<br>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<br>needs for general expenditures within<br>one year before board designations:    | 1,093,414         |
| Less board designations  | <u>(168,927)</u>  |
| Financial assets available to meet cash needs<br>for general expenditures within one year                                  | <u>\$ 924,487</u> |

**Note 14 - ECONOMIC DEPENDENCY**

The Agency 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, 2020 and 2019 were \$717,513 and \$741,381, respectively.

**Note 14 - ECONOMIC DEPENDENCY (Continued)**

Reimbursements are determined based on a child-care day rate. Beginning November 1, 2017, Level 1 and Level 2 care will be provided at a day rate of \$148.44 and \$196.68, respectively. The allowances for clothing and personal needs for ages 12 and under are \$2.46 and \$0.99, respectively, and ages 13 and over are \$2.68 and \$1.56, respectively, per child-care day. The Agency maintains records on a daily basis for each child in attendance at the Agency. The child-care days were 4,045 and 4,210, for the years ended June 30, 2020 and 2019 respectively. If significant budget cuts are made at the federal and/or state level, the amount of support the Agency receives could be reduced significantly and have an adverse impact on its operations.

**Note 15 - SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through February 8, 2021, which is the date the financial statements were available to be issued.

**Note 16 - CORONAVIRUS**

The recent global outbreak of the Coronavirus (COVID-19) has raised concerns regarding operations and the financial markets have recently experienced significant volatility. While the Agency's operations have been impacted, the long term impact on the Agency's operations and its investments is uncertain at this time.

**SUPPLEMENTARY INFORMATION SECTION**



**INDEPENDENT AUDITOR'S REPORT**  
**ON ADDITIONAL INFORMATION**

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

Our report on our audits of the financial statements of MacDonell United Methodist Children's Services, Inc., (the "Agency"), for the years ended June 30, 2020 and 2019, appears on pages 1 and 2. The audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the Schedule of Revenues and Expenses and Graphs of Revenues and Expenses for the years ended June 30, 2020 and 2019 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the years ended June 30, 2020 and 2019, taken as a whole.

We also have previously audited, 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, the statement of financial position of MacDonell United Methodist Children's Services, Inc., as of June 30, 2018, and the related statement of activities for the year ended June 30, 2018 (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. In our opinion, the information presented in the Schedule of Revenues and Expenses and Graphs of Revenues and Expenses for the year ended June 30, 2018 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

The accompanying Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer for the year ended June 30, 2020 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
February 8, 2021.

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

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

For the year ended June 30, 2020

**Agency Head Name:** Kevin Champagne, Executive Director

**Purpose**

|  |                  |
|--|------------------|
| Salary                                 | \$ 73,672        |
| Benefits - insurance                   | 4,108            |
| Benefits - retirement                  | -                |
| Benefits - other                       | -                |
| Car allowance                          | -                |
| Vehicle provided by government         | -                |
| Per diem                               | -                |
| Reimbursements                         | -                |
| Travel                                 | 736              |
| Registration fees                      | 750              |
| Conference travel                      | -                |
| Continuing professional education fees | -                |
| Housing*                               | 16,380           |
| Unvouchered expenses                   | -                |
| Meals                                  | -                |
|  | <hr/>            |
|  | <b>\$ 95,646</b> |

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

**SCHEDULE OF REVENUES AND EXPENSES****MacDonell United Methodist Children's Services, Inc.**  
Houma, Louisiana

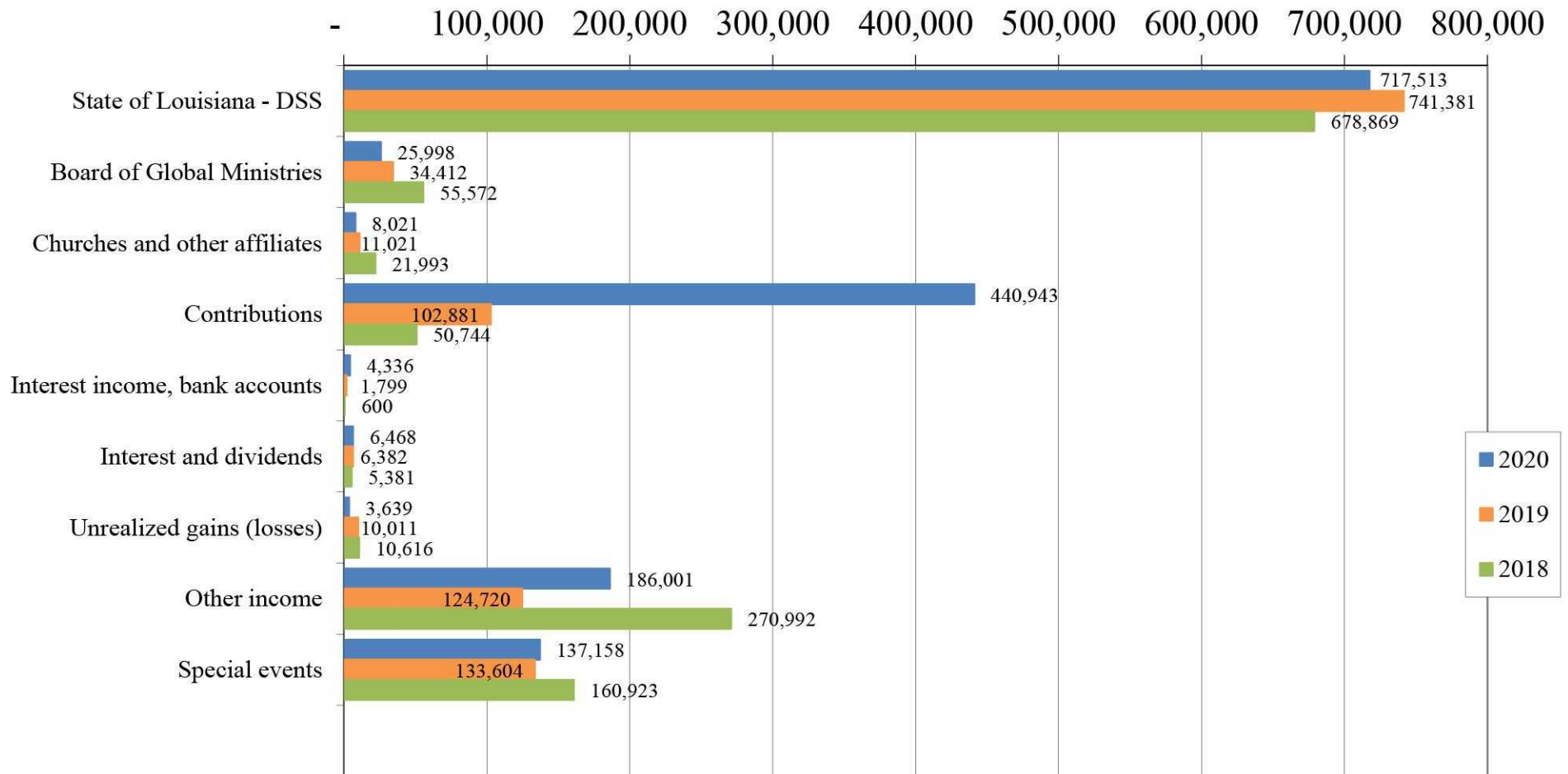
For the three years ended June 30, 2020, 2019, and 2018

|   | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|---------------------|
| <b>Revenues</b>                           |                     |                     |                     |
| State of Louisiana - DSS                  | \$ 717,513          | \$ 741,381          | \$ 678,869          |
| Board of Global Ministries                | 25,998              | 34,412              | 55,572              |
| Churches and other affiliates             | 8,021               | 11,021              | 21,993              |
| Contributions                             | 440,943             | 102,881             | 50,744              |
| Interest income, bank accounts            | 4,336               | 1,799               | 600                 |
| Investment income, interest and dividends | 6,468               | 6,382               | 5,381               |
| Investment income, unrealized gains       | 3,639               | 10,011              | 10,616              |
| Other income                              | 186,001             | 124,720             | 270,992             |
| Special events                            | 137,158             | 133,604             | 160,923             |
|   | <u>\$ 1,530,077</u> | <u>\$ 1,166,211</u> | <u>\$ 1,255,690</u> |
| <b>Expenses</b>                           |                     |                     |                     |
| Salaries                                  | \$ 550,555          | \$ 531,092          | \$ 518,965          |
| Payroll taxes                             | 41,146              | 41,854              | 38,902              |
| Building and grounds maintenance          | 56,259              | 19,081              | 31,994              |
| Depreciation                              | 42,203              | 43,133              | 43,656              |
| Food and beverage                         | 64,237              | 74,618              | 57,864              |
| Insurance                                 | 93,862              | 86,840              | 83,899              |
| Other expenses                            | 129,679             | 101,911             | 85,497              |
| Professional services                     | 42,047              | 52,647              | 79,889              |
| Supplies                                  | 17,360              | 11,997              | 11,819              |
| Utilities                                 | 32,843              | 37,960              | 40,068              |
| Volunteer Gala                            | 19,241              | 17,188              | 8,731               |
|   | <u>\$ 1,089,432</u> | <u>\$ 1,018,321</u> | <u>\$ 1,001,284</u> |

**REVENUES**

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

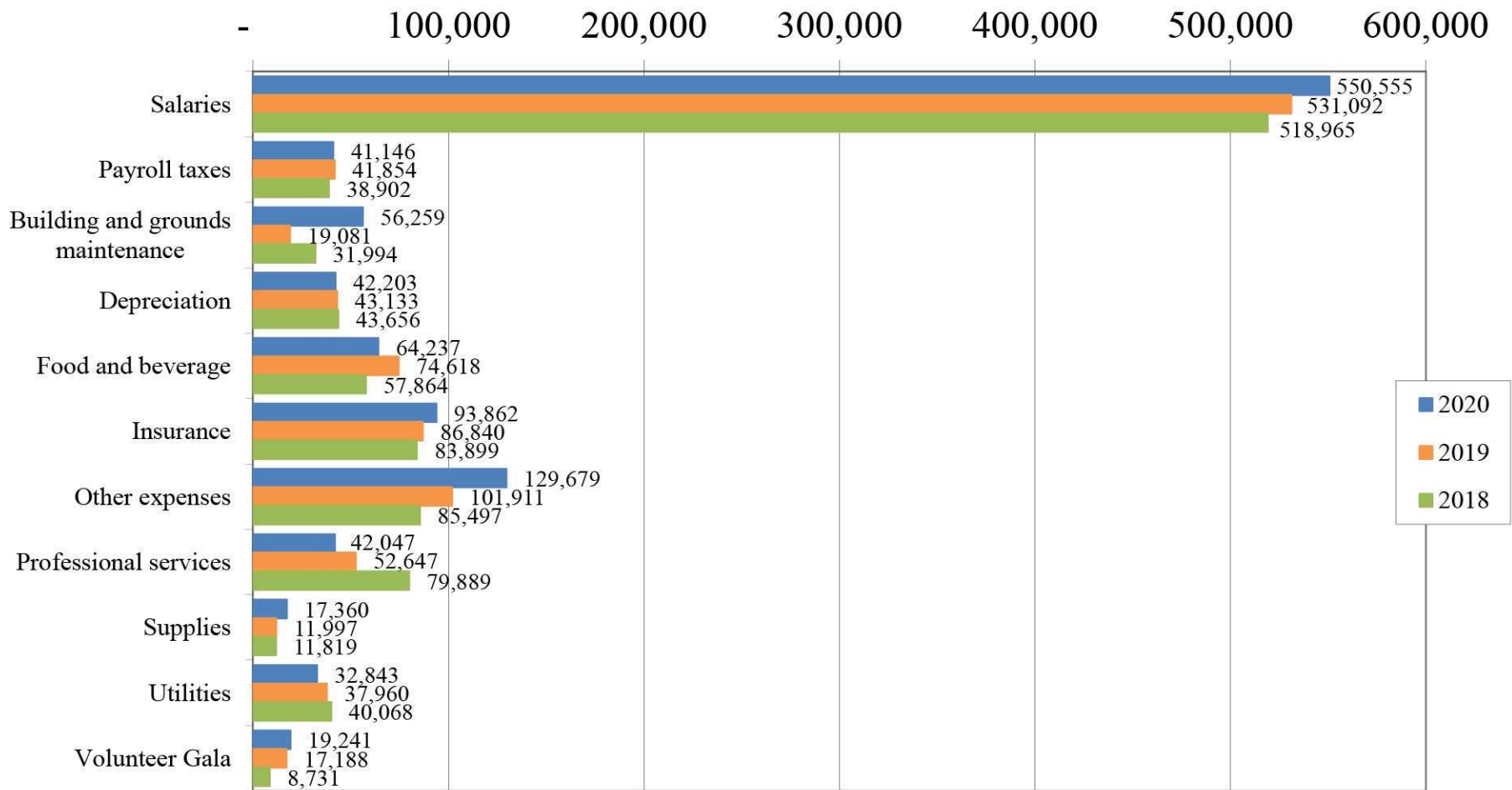
For the three years ended June 30, 2020, 2019, and 2018



**EXPENSES**

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

For the three years ended June 30, 2020, 2019, and 2018



**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**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,  
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. (the "Agency") a nonprofit organization, which comprise the Statement of Financial Position as of June 30, 2020, 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 February 8, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a 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 over financial reporting 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
February 8, 2021.

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **MacDonell United Methodist Children's Services, Inc.** Houma, Louisiana

For the year ended June 30, 2020

#### **Section I Summary of Auditor's Results**

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness? \_\_\_ Yes X None reported

Noncompliance material to financial statements noted? \_\_\_ Yes X No

b) Federal Awards

MacDonell United Methodist Children's Services, Inc. did not expend federal awards in excess of \$750,000 during the year ended June 30, 2020 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

#### **Section II Financial Statement Findings**

No financial statement findings were noted during the audit of the financial statements for the year ended June 30, 2020.

#### **Section III Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **MacDonell United Methodist Children's Services, Inc. Houma, Louisiana**

For the year ended June 30, 2020

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

##### Internal Control

No material weaknesses were reported during the audit of the financial statements for the year ended June 30, 2019.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2019.

##### Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2019.

#### **Section II Internal Control and Compliance Material to Federal Awards**

MacDonell United Methodist Children's Services, Inc. did not expend federal awards in excess of \$750,000 during the year ended June 30, 2019 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2019.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

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

For the year ended June 30, 2020

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

#### Internal Control

No material weaknesses were reported during the audit of the financial statements for the year ended June 30, 2020.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2020.

#### Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2020.

### **Section II Internal Control and Compliance Material to Federal Awards**

MacDonell United Methodist Children's Services, Inc. did not expend federal awards in excess of \$750,000 during the year ended June 30, 2020 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

### **Section III Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2020.