

Financial Report

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

Houma, Louisiana

For the years ended June 30, 2017 and 2016

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For the years ended June 30, 2017 and 2016

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MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2017 and 2016

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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, 2017 and 2016 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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, 2017 and 2016, 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 Governmental Auditing Standards, we have also issued our report dated December 21, 2017 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 Governmental Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 21, 2017.

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

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 248,874	\$ 380,718
Investments	280,710	2,727
Accounts receivable, state agencies	51,531	77,762
Prepaid insurance	21,783	22,675
Assets restricted for future years' use of facilities	1,239,004	1,321,298
Endowment trust - investments	-	99,563
Restricted trust - investments	125,119	112,579
Property and equipment, net	317,840	359,965
Deposits	200	200
	<u>2,285,061</u>	<u>2,377,487</u>
Totals	<u>\$ 2,285,061</u>	<u>\$ 2,377,487</u>
Liabilities		
Accounts payable	\$ 19,867	\$ 31,410
Accrued salaries and compensated absences	28,361	27,811
Payroll taxes payable	229	524
Other liabilities	7,263	6,486
Notes payable	29,032	32,898
	<u>84,752</u>	<u>99,129</u>
Total liabilities	<u>84,752</u>	<u>99,129</u>
Net Assets		
Unrestricted:		
Designated for subsequent years' expenses and plant expansion	168,927	168,927
Undesignated	728,287	724,042
	<u>897,214</u>	<u>892,969</u>
Total unrestricted	897,214	892,969
Temporarily restricted	1,274,820	1,357,114
Permanently restricted	28,275	28,275
	<u>2,200,309</u>	<u>2,278,358</u>
Total net assets	<u>2,200,309</u>	<u>2,278,358</u>
Totals	<u>\$ 2,285,061</u>	<u>\$ 2,377,487</u>

See notes to financial statements.

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

For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Support:		
State of Louisiana - Department of Social Services	\$ 532,437	\$ 510,184
General Board of Global Ministries of the United Methodist Church	53,319	81,606
Churches and other affiliates	11,359	16,936
Contributions of individuals and other non-church affiliations	30,154	85,144
In-kind contributions, insurance	22,582	21,602
In-kind contributions	77,039	81,820
Special events	159,395	166,190
	<u>886,285</u>	<u>963,482</u>
Total unrestricted support		
Revenue:		
Interest income, bank accounts	3,237	187
Investment return	19,132	(7,026)
Loss on disposal of asset	-	(10,000)
Other income	116,477	239,400
	<u>138,846</u>	<u>222,561</u>
Total unrestricted revenue		
Net assets released from restrictions:		
Use of facilities	82,294	77,513
Earnings of the restricted trust	975	1,049
	<u>83,269</u>	<u>78,562</u>
Total net assets released from restrictions		
Total unrestricted support, revenue and net assets released from restrictions (carry forward)	<u>1,108,400</u>	<u>1,264,605</u>

**Exhibit B
(Continued)**

	2017	2016
Total unrestricted support, revenue and net assets released from restrictions (brought forward)	1,108,400	1,264,605
Expenses		
Program Services:		
Plant operations and maintenance	145,793	145,616
Costs related to capital assets	206,832	209,232
Dietary	52,860	29,175
Laundry and linen	5,085	3,198
Housekeeping supplies	-	79
Personal client needs	35	799
Medical and nursing	2,352	1,261
Therapeutic and training	272,631	281,300
Recreational	48,140	40,870
Total program services	733,728	711,530
Support Services:		
Administrative and general	364,349	451,268
Fund raising	6,078	6,824
Total support services	370,427	458,092
Total expenses	1,104,155	1,169,622
Increase in Unrestricted Net Assets	4,245	94,983
Temporarily Restricted Net Assets		
Net assets released from restrictions for use of facilities	(82,294)	(77,513)
Permanently Restricted Net Assets		
Interest and dividends earned in restricted trust	975	1,049
Restricted trust earnings released from restrictions	(975)	(1,049)
Increase in Permanently Restricted Net Assets	-	-
Increase (Decrease) in Net Assets	(78,049)	17,470
Net Assets		
Beginning of year	2,278,358	2,260,888
End of year	\$ 2,200,309	\$ 2,278,358

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2017

	Program Services							Therapeutic and Training
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	
Salaries	\$ 58,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,926
Payroll taxes	5,383	-	-	-	-	-	-	19,705
Total salaries and related expenses	63,621	-	-	-	-	-	-	272,631
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	20	-	-
Building and grounds maintenance	18,917	-	-	-	-	-	-	-
Building and grounds repair	17,627	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	4,100	-	-	-	-	-	-
Furniture and equipment	-	19,497	-	-	-	-	-	-
Leasehold improvements	-	23,902	-	-	-	-	-	-
Donated use of facilities	-	159,333	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Facility Production - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	52,860	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
License	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	2,352	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	15	-	-
Postage	-	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	6,707	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	3,749	-	-	5,085	-	-	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	35,172	-	-	-	-	-	-	-
Totals	<u>\$ 145,793</u>	<u>\$ 206,832</u>	<u>\$ 52,860</u>	<u>\$ 5,085</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 2,352</u>	<u>\$ 272,631</u>

See notes to financial statements.

Program Services		Support Services			
Recreational	Total	Administrative and General	Fund Raising	Total	Total
\$ 34,308	\$ 345,472	\$ 144,829	\$ -	\$ 144,829	\$ 490,301
2,611	27,699	10,929	-	10,929	38,628
36,919	373,171	155,758	-	155,758	528,929
11,181	11,181	-	-	-	11,181
-	-	3,966	-	3,966	3,966
-	20	-	-	-	20
-	18,917	-	-	-	18,917
-	17,627	-	-	-	17,627
-	-	-	-	-	-
-	4,100	-	-	-	4,100
-	19,497	-	-	-	19,497
-	23,902	-	-	-	23,902
-	159,333	-	-	-	159,333
-	-	3,197	-	3,197	3,197
-	-	-	500	500	500
-	-	-	240	240	240
-	52,860	-	-	-	52,860
-	-	-	3,762	3,762	3,762
-	-	113,194	-	113,194	113,194
-	-	1,090	-	1,090	1,090
-	-	625	-	625	625
-	2,352	-	-	-	2,352
-	-	8,255	-	8,255	8,255
-	-	6,322	166	6,488	6,488
-	-	5,071	-	5,071	5,071
-	15	-	-	-	15
-	-	2,776	-	2,776	2,776
-	-	3,458	1,066	4,524	4,524
-	-	-	344	344	344
-	-	45,571	-	45,571	45,571
-	6,707	-	-	-	6,707
-	-	-	-	-	-
40	8,874	3,532	-	3,532	12,406
-	-	10,594	-	10,594	10,594
-	-	940	-	940	940
-	35,172	-	-	-	35,172
<u>\$ 48,140</u>	<u>\$ 733,728</u>	<u>\$ 364,349</u>	<u>\$ 6,078</u>	<u>\$ 370,427</u>	<u>\$ 1,104,155</u>

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2016

	Program Services						
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing
Salaries	\$ 60,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll taxes	4,792	-	-	-	-	-	-
Total salaries and related expenses	65,272	-	-	-	-	-	-
Activities and supplies	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	72	-
Building and grounds maintenance	22,791	-	-	-	-	-	-
Building and grounds repair	3,841	-	-	-	-	-	-
Clothing	-	-	-	-	-	454	-
Decorations - Vol. Gala	-	-	-	-	-	-	-
Depreciation:							
Building	-	4,175	-	-	-	-	-
Furniture and equipment	-	19,456	-	-	-	-	-
Leasehold improvements	-	26,268	-	-	-	-	-
Donated use of facilities	-	159,333	-	-	-	-	-
Dues	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-
Facility Production - Vol. Gala	-	-	-	-	-	-	-
Food and beverage	-	-	29,175	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-
License	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	1,261
Miscellaneous	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	273	-
Postage	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	14,245	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-
Supplies	6,113	-	-	3,198	79	-	-
Telephone	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-
Utilities	33,354	-	-	-	-	-	-
Totals	<u>\$ 145,616</u>	<u>\$ 209,232</u>	<u>\$ 29,175</u>	<u>\$ 3,198</u>	<u>\$ 79</u>	<u>\$ 799</u>	<u>\$ 1,261</u>

See notes to financial statements.

Program Services			Support Services			
Therapeutic and Training	Recreational	Total	Administrative and General	Fund Raising	Total	Total
\$ 261,271	\$ 33,001	\$ 354,752	\$ 219,274	\$ -	\$ 219,274	\$ 574,026
20,029	2,575	27,396	16,641	-	16,641	44,037
281,300	35,576	382,148	235,915	-	235,915	618,063
-	5,082	5,082	-	-	-	5,082
-	-	-	1,505	-	1,505	1,505
-	-	72	-	-	-	72
-	-	22,791	-	-	-	22,791
-	-	3,841	-	-	-	3,841
-	-	454	-	-	-	454
-	-	-	-	-	-	-
-	-	4,175	-	-	-	4,175
-	-	19,456	-	-	-	19,456
-	-	26,268	-	-	-	26,268
-	-	159,333	-	-	-	159,333
-	-	-	2,468	-	2,468	2,468
-	-	-	-	500	500	500
-	-	-	-	240	240	240
-	-	29,175	-	-	-	29,175
-	-	-	-	3,000	3,000	3,000
-	-	-	125,122	-	125,122	125,122
-	-	-	1,051	-	1,051	1,051
-	-	-	989	-	989	989
-	-	1,261	-	-	-	1,261
-	-	-	3,611	-	3,611	3,611
-	-	-	2,396	1,480	3,876	3,876
-	-	-	6,914	427	7,341	7,341
-	-	273	-	-	-	273
-	-	-	2,660	-	2,660	2,660
-	-	-	1,352	671	2,023	2,023
-	-	-	-	506	506	506
-	-	-	53,511	-	53,511	53,511
-	-	14,245	-	-	-	14,245
-	-	-	484	-	484	484
-	212	9,602	2,148	-	2,148	11,750
-	-	-	9,721	-	9,721	9,721
-	-	-	1,421	-	1,421	1,421
-	-	33,354	-	-	-	33,354
<u>\$ 281,300</u>	<u>\$ 40,870</u>	<u>\$ 711,530</u>	<u>\$ 451,268</u>	<u>\$ 6,824</u>	<u>\$ 458,092</u>	<u>\$ 1,169,622</u>

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

For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (78,049)	\$ 17,470
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Non-cash lease expense (support)	82,294	77,513
Depreciation	47,499	49,899
Loss from disposition of equipment	-	10,000
Loss (gain) on sale of investments	(579)	548
Unrealized (gains) losses on investments	(14,579)	12,831
Decrease (increase) in assets:		
Receivables	26,231	(11,330)
Prepaid insurance	892	(10,865)
Increase (decrease) in liabilities:		
Accounts payable	(11,543)	15,454
Accrued salaries and vacation	550	768
Payroll taxes payable	(295)	(269)
Other liabilities	777	(1,027)
Total adjustments	<u>131,247</u>	<u>143,522</u>
Net cash provided by operating activities	<u>53,198</u>	<u>160,992</u>
Cash Flows from Investing Activities		
Purchases of equipment	(5,374)	(24,006)
Purchases of investments	(280,165)	(9,527)
Proceeds of investments sold	<u>104,363</u>	<u>6,925</u>
Net cash used in investing activities	<u>(181,176)</u>	<u>(26,608)</u>
Cash Flows from Financing Activities		
Principal payments of long-term debt	<u>(3,866)</u>	<u>(3,749)</u>
Net increase (decrease) in cash	(131,844)	130,635
Cash		
Beginning of year	<u>380,718</u>	<u>250,083</u>
End of year	<u>\$ 248,874</u>	<u>\$ 380,718</u>

See notes to financial statements.

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

June 30, 2017 and 2016

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 12 residents at June 30, 2017, and 16 residents at June 30, 2016.

b) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) Sec. 958- Not-for-Profit Entities. Under ASC Sec. 958, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

c) Basis of Accounting

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

d) Use of Estimates

The preparation of financial statements in conformity with 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Cash and Cash Equivalents

For purposes of the Statement 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, Endowment and Restricted Trusts. The Agency had no cash equivalents at June 30, 2017 and 2016.

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 Statement 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 Statement of Financial Position.

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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently 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 unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement 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 - 30 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, 2017 and 2016 was \$47,499 and \$49,899, 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 at June 30, 2017 and 2016 was \$10,596 and \$11,273, 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) 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:

Unrestricted Net Assets – Support, revenues, and expenses for the general operation of the Agency.

Temporarily Restricted Net Assets – Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets – Contributions subject to donor-imposed restriction and that are to be held in perpetuity by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income derived from the investment of these contributions.

o) Functional Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses in accordance with cost reporting regulations of the Louisiana Department of Social Services. Accordingly, certain costs have been allocated among the services and activities benefitted.

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).

Note 2 - INVESTMENTS

The fair values of investments reported in Unrestricted (Operating and the Greater New Orleans Foundation) and Restricted Trusts totaled \$405,829 and \$214,869 at June 30, 2017 and 2016, respectively. The following schedule summarizes investment returns and their classification in the Statement of Activities for the years ended:

	June 30, 2017			June 30, 2016		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Dividends and interest income	\$ 4,465	\$ 975	\$ 5,440	\$ 6,354	\$ 1,049	\$ 7,403
Net realized and and unrealized gains (losses)	15,158	-	15,158	(13,380)	-	(13,380)
Fees	(491)	-	(491)	-	-	-
Total investment return (loss)	<u>\$ 19,132</u>	<u>\$ 975</u>	<u>\$ 20,107</u>	<u>\$ (7,026)</u>	<u>\$ 1,049</u>	<u>\$ (5,977)</u>

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.

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 of 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.

Note 3 - FAIR VALUE MEASUREMENT (Continued)

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.

For the year ended June 30, 2017, 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 at June 30 2017 measured at fair value on a recurring basis are comprised of and determined as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Operating Trust managed by United Methodist Foundation	\$ 174,395	\$ -	\$ 174,395	\$ -
Pooled accounts managed by Greater New Orleans Foundation	<u>106,315</u>	<u>-</u>	<u>106,315</u>	<u>-</u>
	280,710	-	280,710	-
Restricted Trust managed by United Methodist Foundation	<u>125,119</u>	<u>-</u>	<u>125,119</u>	<u>-</u>
Totals	<u>\$ 405,829</u>	<u>\$ -</u>	<u>\$ 405,829</u>	<u>\$ -</u>

Note 3 - FAIR VALUE MEASUREMENT (Continued)

Assets at June 30, 2016 measured at fair value on a recurring basis are comprised of and determined as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Operating Trust managed by United Methodist Foundation	\$ 2,727	\$ -	\$ 2,727	\$ -
Endowment Trust:				
Money market	3,000	3,000	-	-
Mutual funds:				
JPMorgan Access Balanced Fund	96,563	96,563	-	-
Total endowment trust	99,563	99,563	-	-
Restricted Trust managed by United Methodist Foundation	112,579	-	112,579	-
Totals	\$ 214,869	\$ 99,563	\$ 115,306	\$ -

As of June 30, 2017 and 2016, there were no assets measured at fair values on a non-recurring basis.

The investment pools of the Operating and Restricted Trusts have been merged by the bank trustee. The administrator, the United Methodist Foundation, maintains separate accounting for the Operating and Restricted Trusts. The Operating Trust invests in high quality bonds and loans to Methodist Churches in the Louisiana Conference while the Restrictive Trust seeks to produce growth and income by investing in equities and short to intermediate-term bonds. The merged investment pool at June 30, 2017, the latest trust report date, consisted of the following:

Cash and cash equivalents	1.5%
Fixed income securities	46.4%
Equities	41.4%
Real estate and mortgage receivables	5.2%
Hedge funds	<u>5.5%</u>
Total	<u>100.0%</u>

Note 4 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets 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

Note 4 - RESTRICTIONS ON NET ASSETS (Continued)

children and youth for the fourteen years and nine months ending December 31, 2027. The present value of the lease, \$1,239,004 and \$1,321,298 at June 30, 2017 and 2016 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, 2017 and 2016, respectively. The annual lease rental for the years ended June 30, 2017 and 2016 was \$159,333 each.

Also included in temporarily restricted net assets for years ended June 30, 2017 and 2016 is \$35,816 in assets restricted for the purpose of construction of a girls dormitory.

Permanently restricted net assets consist of the original donation amount of assets in the "Restricted Trust" (Note 2) that have been designated by the donor to be held in perpetuity. The investment income from the trust can be used to support the Agency's general activities.

Note 5 - PROPERTY AND EQUIPMENT

At June 30, 2017 and 2016 property and equipment consist of the following:

	2017	2016
Land and land improvements	\$ 82,046	\$ 82,046
Buildings	102,613	102,613
Leasehold improvements	921,672	920,994
Machinery and equipment	162,250	159,398
Furniture and fixtures	87,491	87,491
Autos and trucks	51,238	51,238
Total property and equipment	1,407,310	1,403,780
Less accumulated depreciation	1,089,470	1,043,815
Net property and equipment	\$ 317,840	\$ 359,965

Note 6 - NOTES PAYABLE

The Agency has a promissory note to the United Methodist Foundation with a balance of \$29,032 and \$32,898 as of June 30, 2017 and 2016, respectively. The note is secured with funds on deposit in the Operating and Restrictive Trusts, \$299,514 as of June 30, 2017 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, 2017. 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.

Note 6 - NOTES PAYABLE (Continued)

For the year ended June 30, 2017, 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 September 1, 2024 under the existing terms of the note.

<u>Years ending Jne 30:</u>	<u>Amount</u>
2018	\$ 3,644
2019	3,755
2020	3,870
2021	3,988
2022	4,105
2023 to 2024	<u>9,670</u>
	<u>\$ 29,032</u>

The Agency recorded interest expense of \$934 for the year ended June 30, 2017.

Note 7 - LEASE COMMITMENTS

On May 1, 2013 the Agency entered into a five year operating lease agreement for office equipment. The lease terms provide for monthly rental payments of \$312.

Future minimum lease payments under the outstanding leases at June 30, 2017 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2018	\$ 3,120

Rental expense for the years end June 30, 2017 and 2016 totaled \$3,742 and \$5,263, respectively.

Note 8 - LINE OF CREDIT

The Agency has a \$50,000 revolving line of credit from Capital One Bank to help finance its operating needs. Interest is payable on outstanding balances at an interest rate of the "Wall Street Journal" Prime interest rate, 4.25% at June 30, 2017. Capital One Bank retains the right to terminate the line immediately and without notice upon failure to pay accrued interest. No borrowings occurred during the year ended June 30, 2017, and none have occurred through the date of the independent auditor's report. At June 30, 2017, \$50,000 was available to the Agency for borrowings under the line of credit.

Note 9 - 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, 2017 and 2016.

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 2013.

Note 10 - 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, 2017 and 2016.

Note 11 - CONCENTRATION OF RISK

MacDonell United Methodist Children's Services, Inc. maintains several bank accounts at Whitney Bank and Capital One Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at these institutions did not exceed Federally insured limits for the years ended June 30, 2017 and 2016.

Note 12 - 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, 2017 and 2016 were \$532,437 and \$510,184, respectively.

Note 12 - ECONOMIC DEPENDENCY (Continued)

Reimbursements are determined based on a child-care day rate of \$125.63. 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 for the years ended June 30, 2017 and 2016 were 4,238 and 4,084, 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 13 - 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 December 21, 2017, which is the date the financial statements were available to be issued.

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, 2017 and 2016, 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, 2017 and 2016 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 year ended June 30, 2017 and 2016, 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, 2015, and the related statement of activities for the year ended June 30, 2015 (none of which is presented herein), and we expressed an unqualified 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, 2015 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, 2017 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2017 on our consideration of MacDonnell United Methodist Children's Services internal control over financial reporting and 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, compliance and the results of that testing. It does not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit and performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 21, 2017.

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

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2017

Agency Head Name: Kevin Champagne

Purpose	Amount	
Salary	\$ 82,764	
Benefits - insurance	-	
Benefits - retirement	-	
Benefits - other	-	
Car allowance	-	
Vehicle provided by government	-	
Per diem	-	
Reimbursements	-	
Travel	1,161	
Registration fees	768	
Conference travel	-	
Continuing professional education fees	-	
Housing	16,380	*
Unvouchered expenses	-	
Meals	-	
	<hr/>	
	\$ 101,073	
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* Estimated benefit received from required on-campus residence.

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

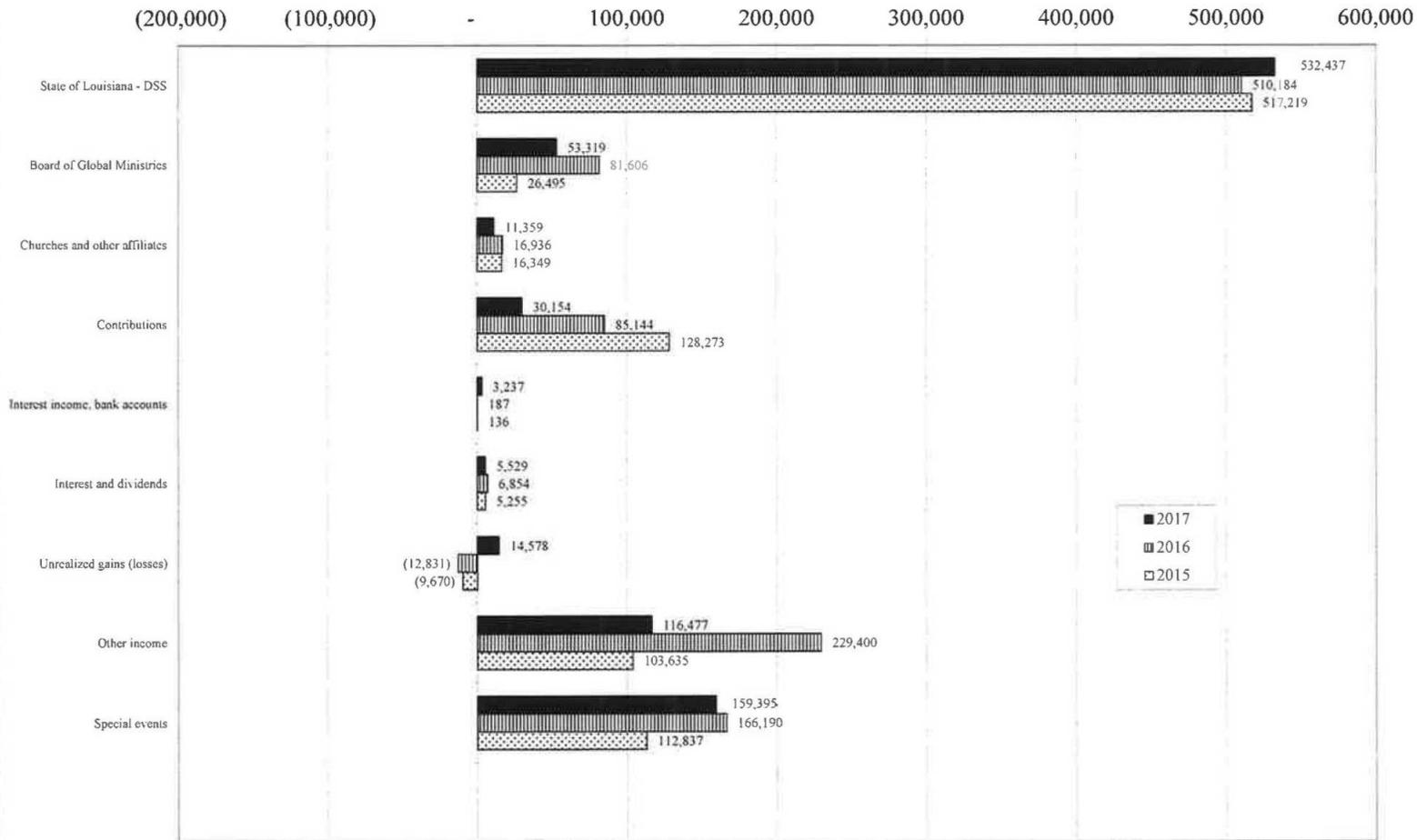
For the years ended June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
State of Louisiana - DSS	\$ 532,437	\$ 510,184	\$ 517,219
Board of Global Ministries	53,319	81,606	26,495
Churches and other affiliates	11,359	16,936	16,349
Contributions	30,154	85,144	128,273
Interest income, bank accounts	3,237	187	136
Investment income, interest and dividends	5,529	6,854	5,255
Investment income, unrealized gains (losses)	14,578	(12,831)	(9,670)
Other income	116,477	229,400	103,635
Special events	159,395	166,190	112,837
	<u>\$ 926,485</u>	<u>\$ 1,083,670</u>	<u>\$ 900,529</u>
Expenses			
Salaries	\$ 490,301	\$ 574,026	\$ 500,048
Payroll taxes	38,628	44,037	39,033
Building and grounds maintenance	18,917	22,791	23,567
Depreciation	47,499	49,899	47,223
Food and beverage	52,860	29,175	17,894
Insurance	90,612	103,520	96,941
Other expenses	129,767	113,311	120,583
Supplies	12,406	11,750	7,011
Utilities	35,172	33,354	33,135
Volunteer Gala	6,078	6,824	4,421
	<u>\$ 922,240</u>	<u>\$ 988,687</u>	<u>\$ 889,856</u>

REVENUES

MacDonell United Methodist Children's Services, Inc.

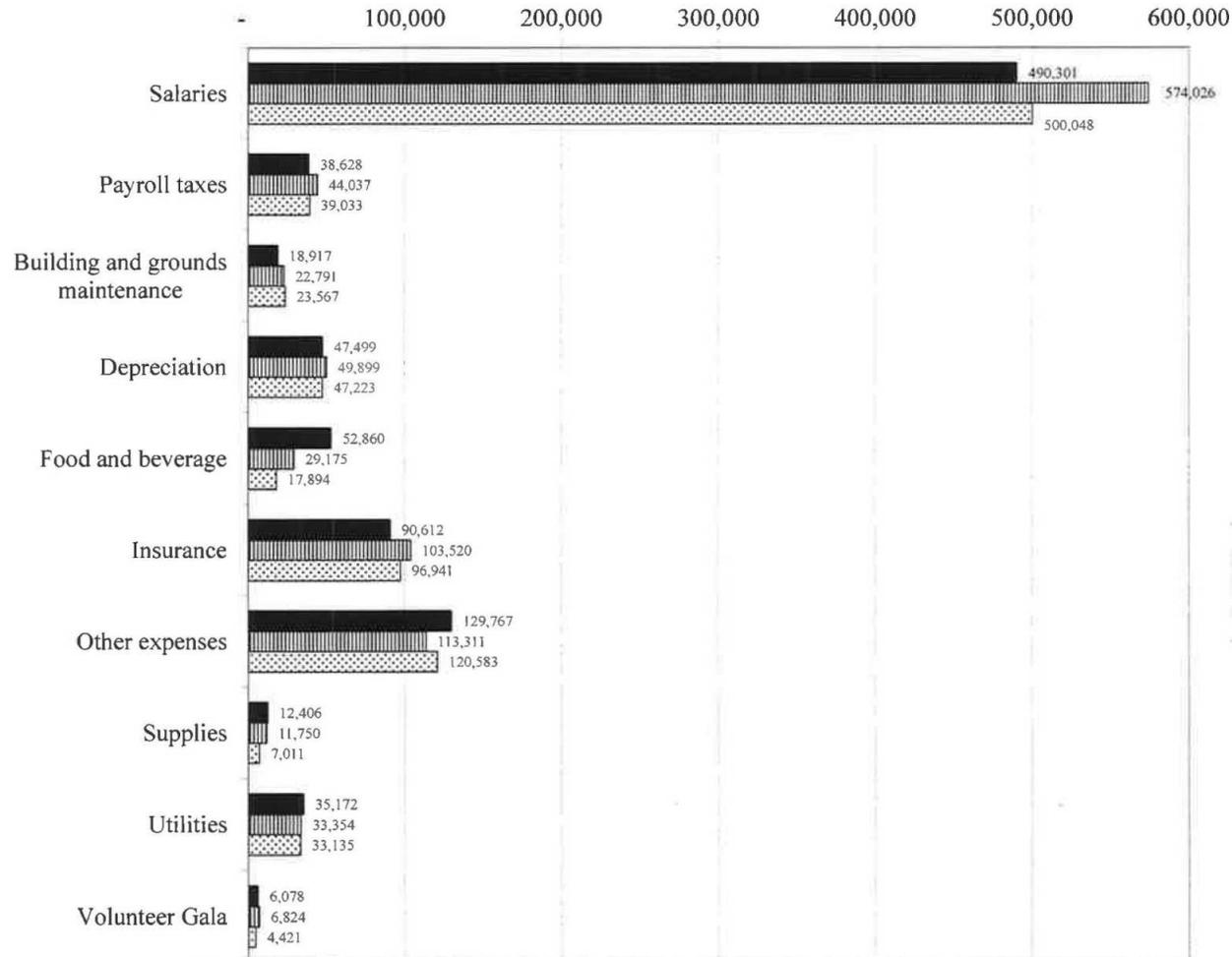
For the years ended June 30, 2017, 2016 and 2015



EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2017, 2016, and 2015



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, 2017, and the related Statement of Activities, and Cash Flows for the year then ended, and the related notes to the financial statements and have issued our report thereon December 21, 2017.

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.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 21, 2017.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2017

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, 2016.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2016.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2016.

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, 2016 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, 2016.

MANAGEMENT'S CORRECTIVE ACTION PLAN

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2017

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, 2017.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2017.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2017.

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, 2017 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, 2017.