

*Financial Report*

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

*Houma, Louisiana*

*June 30, 2004*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-1-04

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June 30, 2004

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**FINANCIAL SECTION**



Bourgeois Bennett

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of MacDonell United Methodist Children's Services, Inc. (the Center), a nonprofit organization, as of June 30, 2004 and 2003, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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 Governmental 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2004 and 2003, 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.

In accordance with Government Auditing Standards, we have also issued a report dated August 4, 2004, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
August 4, 2004.

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

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash	\$ 297,036	\$ 204,286
Operating trust - investments	65,677	63,185
Accounts receivable, state agencies	125,738	127,184
Prepaid insurance	24,973	23,416
Assets restricted for future years' use of facilities	969,196	1,046,335
Endowment trust - investments	412,889	373,871
Restricted trust - investments	222,211	196,490
Property and equipment, net	433,921	471,172
Deposits	412	412
	<u>2,552,053</u>	<u>2,506,351</u>
<b>Totals</b>	<b>\$ 2,552,053</b>	<b>\$ 2,506,351</b>
<b>Liabilities</b>		
Accounts payable	\$ 22,946	\$ 19,633
Accrued salaries and vacation	98,236	89,900
Payroll taxes payable	2,122	1,955
Other liabilities	8,261	7,620
	<u>131,565</u>	<u>119,108</u>
<b>Total liabilities</b>	<b>131,565</b>	<b>119,108</b>
<b>Net Assets</b>		
Unrestricted:		
Designated for subsequent years' expenses and plant expansion	490,064	441,455
Undesignated	932,953	871,178
	<u>1,423,017</u>	<u>1,312,633</u>
<b>Total unrestricted</b>	<b>1,423,017</b>	<b>1,312,633</b>
Temporarily restricted	969,196	1,046,335
Permanently restricted	28,275	28,275
	<u>997,471</u>	<u>1,074,610</u>
<b>Total net assets</b>	<b>2,420,488</b>	<b>2,387,243</b>
<b>Totals</b>	<b>\$ 2,552,053</b>	<b>\$ 2,506,351</b>

See notes to financial statements.

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

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Unrestricted Net Assets</b>		
Support:		
State of Louisiana - Department of Social Services	\$ 1,491,638	\$ 1,455,766
General Board of Global Ministries of the United Methodist Church	50,917	62,419
Churches and other affiliates	18,837	11,774
Contributions of individuals and other non-church affiliations	113,353	77,471
In-kind contributions, insurance	55,000	45,000
In-kind contributions, interest	82,194	88,014
Special events	41,614	41,873
Total unrestricted support	<u>1,853,553</u>	<u>1,782,317</u>
Revenue:		
Interest income, bank accounts	869	1,392
Investment income:		
Interest and dividends	18,783	14,268
Unrealized gains (losses)	46,912	(1,489)
Other income	17,929	17,667
Total unrestricted revenue	<u>84,493</u>	<u>31,838</u>
Net assets released from restrictions:		
Use of facilities	77,139	71,319
Earnings of the restricted trust	1,535	676
Total net assets released from restrictions	<u>78,674</u>	<u>71,995</u>
Total unrestricted support, revenue and net assets released from restrictions (carry forward)	<u>2,016,720</u>	<u>1,886,150</u>

**Exhibit B  
(Continued)**

	2004	2003
<b>Total unrestricted support, revenue and net assets released from restrictions (brought forward)</b>	<b>2,016,720</b>	<b>1,886,150</b>
<b>Expenses</b>		
<b>Program Services:</b>		
Plant operations and maintenance	162,241	160,063
Costs related to capital assets	211,869	209,441
Dietary	133,780	126,192
Laundry and linen	3,301	3,538
Housekeeping supplies	25,724	24,712
Personal client needs	5,046	4,275
Medical and nursing	34,172	31,879
Therapeutic and training	783,569	778,873
Recreational	44,553	41,235
Consultants	11,800	9,000
Educational	1,643	446
<b>Total program services</b>	<b>1,417,698</b>	<b>1,389,654</b>
<b>Support Services:</b>		
Administrative and general	429,809	415,897
Fund raising	58,829	63,458
<b>Total support services</b>	<b>488,638</b>	<b>479,355</b>
<b>Total expenses</b>	<b>1,906,336</b>	<b>1,869,009</b>
<b>Increase in Unrestricted Net Assets</b>	<b>110,384</b>	<b>17,141</b>
<b>Temporarily Restricted Net Assets</b>		
Net assets released from restrictions for use of facilities	<b>(77,139)</b>	<b>(71,319)</b>
<b>Permanently Restricted Net Assets</b>		
Interest and dividends earned in restricted trust	1,535	676
Restricted trust earnings released from restrictions	<b>(1,535)</b>	<b>(676)</b>
<b>Increase in Permanently Restricted Net Assets</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets</b>	<b>33,245</b>	<b>(54,178)</b>
<b>Net Assets</b>		
Beginning of year	<b>2,387,243</b>	<b>2,441,421</b>
End of year	<b>\$ 2,420,488</b>	<b>\$ 2,387,243</b>

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES**

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2004

	Program Services							
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 46,801	\$ -	\$ 50,084	\$ -	\$ 18,426	\$ -	\$ 27,431	\$ 674,976
Payroll taxes	3,479	-	5,673	-	1,387	-	1,934	50,384
Employee benefits	4,548	-	6,397	-	1,081	-	3,343	58,209
<b>Total salaries and related expenses</b>	<b>54,828</b>	<b>-</b>	<b>62,154</b>	<b>-</b>	<b>20,894</b>	<b>-</b>	<b>32,708</b>	<b>783,569</b>
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	896	-	-
Building and grounds maintenance	14,881	-	-	-	-	-	-	-
Building and grounds repair	4,375	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	494	-	-
Contract services	18,600	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	2,112	-	-	-	-	-	-
Furniture and equipment	-	18,507	-	-	-	-	-	-
Leasehold improvements	-	30,871	-	-	-	-	-	-
Disposal of assets	-	1,045	-	-	-	-	-	-
Donated use of facilities	-	77,139	-	-	-	-	-	-
Donated interest	-	82,195	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Facility-Prod - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	66,844	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
Laundry/Linen supplies	-	-	-	3,301	-	-	-	-
Medical supplies	-	-	-	-	-	-	1,464	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	3,374	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/Photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	13,794	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Staff training supplies	-	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	424	-	4,782	-	4,830	282	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	55,339	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 162,241</b>	<b>\$ 211,869</b>	<b>\$ 133,780</b>	<b>\$ 3,301</b>	<b>\$ 25,724</b>	<b>\$ 5,046</b>	<b>\$ 34,172</b>	<b>\$ 783,569</b>

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 31,184	\$ -	\$ -	\$ 848,902	\$ 228,336	\$ 41,834	\$ 270,170	\$ 1,119,072
2,194	-	-	65,051	12,613	3,074	15,687	80,738
1,722	-	-	75,300	17,077	3,770	20,847	96,147
35,100	-	-	989,253	258,026	48,678	306,704	1,295,957
7,181	-	-	7,181	-	-	-	7,181
-	-	-	-	6,777	-	6,777	6,777
-	-	-	896	-	-	-	896
-	-	-	14,881	-	-	-	14,881
-	-	-	4,375	-	-	-	4,375
-	-	-	494	-	-	-	494
-	-	-	18,600	-	-	-	18,600
-	-	-	-	-	810	810	810
-	-	-	2,112	-	-	-	2,112
-	-	-	18,507	-	-	-	18,507
-	-	-	30,871	-	-	-	30,871
-	-	-	1,045	-	-	-	1,045
-	-	-	77,139	-	-	-	77,139
-	-	-	82,195	-	-	-	82,195
-	-	-	-	3,320	-	3,320	3,320
-	-	-	-	-	600	600	600
-	-	-	-	-	675	675	675
-	-	-	66,844	-	-	-	66,844
-	-	-	-	-	3,990	3,990	3,990
-	-	-	-	114,529	-	114,529	114,529
-	-	-	-	-	735	735	735
-	-	-	3,301	-	-	-	3,301
-	-	-	1,464	-	-	-	1,464
-	-	-	-	3,370	-	3,370	3,370
-	-	-	-	7,127	1,820	8,947	8,947
-	-	-	-	6,268	-	6,268	6,268
-	-	-	3,374	-	-	-	3,374
-	-	-	-	3,335	-	3,335	3,335
-	-	-	-	-	467	467	467
-	-	-	-	3,314	-	3,314	3,314
-	-	-	-	-	740	740	740
-	-	-	-	11,445	-	11,445	11,445
-	11,800	-	11,800	-	-	-	11,800
-	-	-	13,794	-	-	-	13,794
-	-	1,643	1,643	-	-	-	1,643
-	-	-	-	491	-	491	491
-	-	-	-	107	-	107	107
2,272	-	-	12,590	-	-	-	12,590
-	-	-	-	8,056	-	8,056	8,056
-	-	-	-	3,644	314	3,958	3,958
-	-	-	55,339	-	-	-	55,339
<u>\$ 44,553</u>	<u>\$ 11,800</u>	<u>\$ 1,643</u>	<u>\$ 1,417,698</u>	<u>\$ 429,809</u>	<u>\$ 58,829</u>	<u>\$ 488,638</u>	<u>\$ 1,906,336</u>

**STATEMENT OF FUNCTIONAL EXPENSES**

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2003

	Program Services							
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 48,884	\$ -	\$ 47,158	\$ -	\$ 17,804	\$ -	\$ 25,104	\$ 672,187
Payroll taxes	3,596	-	5,634	-	1,356	-	1,836	50,616
Employee benefits	4,340	-	5,344	-	1,056	-	1,934	56,070
<b>Total salaries and related expenses</b>	<b>56,820</b>	<b>-</b>	<b>58,136</b>	<b>-</b>	<b>20,216</b>	<b>-</b>	<b>28,874</b>	<b>778,873</b>
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	463	-	-
Building and grounds maintenance	20,711	-	-	-	-	-	-	-
Building and grounds repair	4,949	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	161	-	-
Contract services	18,600	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	2,112	-	-	-	-	-	-
Furniture and equipment	-	16,837	-	-	-	-	-	-
Leasehold improvements	-	30,876	-	-	-	-	-	-
Disposal of assets	-	283	-	-	-	-	-	-
Donated use of facilities	-	71,319	-	-	-	-	-	-
Donated interest	-	88,014	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Facility/Prod - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	63,512	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Laundry/Linen supplies	-	-	-	3,538	-	-	-	-
Licenses	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	3,005	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	3,638	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/Photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	11,084	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Staff training supplies	-	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	1,125	-	4,544	-	4,496	13	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	46,774	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 160,063</b>	<b>\$ 209,441</b>	<b>\$ 126,192</b>	<b>\$ 3,538</b>	<b>\$ 24,712</b>	<b>\$ 4,275</b>	<b>\$ 31,879</b>	<b>\$ 778,873</b>

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 26,334	\$ -	\$ -	\$ 837,471	\$ 227,828	\$ 43,079	\$ 270,907	\$ 1,108,378
2,035	-	-	65,073	12,289	3,140	15,429	80,502
1,597	-	-	70,341	15,015	3,549	18,564	88,905
29,966	-	-	972,885	255,132	49,768	304,900	1,277,785
6,784	-	-	6,784	-	-	-	6,784
-	-	-	-	6,100	-	6,100	6,100
-	-	-	463	-	-	-	463
-	-	-	20,711	-	-	-	20,711
-	-	-	4,949	-	-	-	4,949
-	-	-	161	-	-	-	161
-	-	-	18,600	-	-	-	18,600
-	-	-	-	-	1,353	1,353	1,353
-	-	-	2,112	-	-	-	2,112
-	-	-	16,837	-	-	-	16,837
-	-	-	30,876	-	-	-	30,876
-	-	-	283	-	-	-	283
-	-	-	71,319	-	-	-	71,319
-	-	-	88,014	-	-	-	88,014
-	-	-	-	2,335	-	2,335	2,335
-	-	-	-	-	600	600	600
-	-	-	-	-	675	675	675
-	-	-	63,512	-	-	-	63,512
-	-	-	-	-	7,603	7,603	7,603
-	-	-	-	104,560	-	104,560	104,560
-	-	-	-	-	735	735	735
-	-	-	-	887	-	887	887
-	-	-	3,538	-	-	-	3,538
-	-	-	-	600	-	600	600
-	-	-	3,005	-	-	-	3,005
-	-	-	-	1,824	-	1,824	1,824
-	-	-	-	7,110	1,351	8,461	8,461
-	-	-	-	6,340	33	6,373	6,373
-	-	-	3,638	-	-	-	3,638
-	-	-	-	2,339	-	2,339	2,339
-	-	-	-	-	220	220	220
-	-	-	-	2,289	-	2,289	2,289
-	-	-	-	-	616	616	616
-	-	-	-	12,243	-	12,243	12,243
-	9,000	-	9,000	-	-	-	9,000
-	-	-	11,084	-	-	-	11,084
-	-	446	446	-	-	-	446
-	-	-	-	1,048	-	1,048	1,048
-	-	-	-	157	-	157	157
4,485	-	-	14,663	-	-	-	14,663
-	-	-	-	7,991	-	7,991	7,991
-	-	-	-	4,942	504	5,446	5,446
-	-	-	46,774	-	-	-	46,774
<u>\$ 41,235</u>	<u>\$ 9,000</u>	<u>\$ 446</u>	<u>\$ 1,389,654</u>	<u>\$ 415,897</u>	<u>\$ 63,458</u>	<u>\$ 479,355</u>	<u>\$ 1,869,009</u>

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

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 33,245	\$ (54,178)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Non-cash rental expense	77,139	71,319
Depreciation	51,490	49,825
Loss from disposition of equipment	1,045	283
Unrealized (gains) losses on investments	(46,912)	1,489
Decrease (increase) in assets:		
Receivables	1,446	(848)
Prepaid insurance	(1,557)	(2,216)
Increase (decrease) in liabilities:		
Accounts payable	3,313	2,177
Accrued salaries and payroll taxes	8,503	10,189
Other liabilities	641	(46)
Total adjustments	<u>95,108</u>	<u>132,172</u>
Net cash provided by operating activities	<u>128,353</u>	<u>77,994</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of equipment	(15,284)	(26,572)
Purchases of operating trust investments	(11,624)	(5,199)
Purchases of endowment trust investments	(7,160)	(9,070)
Purchases of restricted trust investments	(1,535)	(675)
Net cash used in investing activities	<u>(35,603)</u>	<u>(41,516)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on note payable	-	(7,512)
Net increase in cash	92,750	28,966
<b>Cash</b>		
Beginning of year	<u>204,286</u>	<u>175,320</u>
End of year	<u>\$ 297,036</u>	<u>\$ 204,286</u>
<b>Supplemental Disclosures</b>		
Interest paid	<u>\$ -</u>	<u>\$ 887</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

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

June 30, 2004 and 2003

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

**a) Organization**

MacDonell United Methodist Children's Services, Inc. (the Center) is the successor to the MacDonell United Methodist Children's Center which was founded by Miss Ella K. Hooper in 1919 as a French mission school. Today, the Center serves neglected children who need a group living experience. The Center provides around-the-clock care, education, Christian nurture, study and treatment for deprived, dependent children in need of care outside their own homes. The Center is licensed by the Louisiana State Department of Social Services for 36 residents.

**b) Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Center 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 Center 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 Center had no cash equivalents at June 30, 2004 and 2003.

**f) Investments**

Investments consist of assets held in an operating trust, an endowment trust and a restricted trust. All investments are stated at market values established in exchange markets.

The operating and restricted trusts are included in investment pools administered by the United Methodist Foundation. The investment pools are 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 endowment trust was established by the Center's Board of Directors for the specific purpose of providing net assets to operate the Center for the benefit of the children in residence. The trust is unrestricted and is governed by an Oversight Committee of three to five members. The trust is administered by a bank trust department. The investments consist of money market funds, fixed income mutual funds and equity mutual funds. The endowment trust is designated by the Board of Directors towards subsequent years' expenses and plant expansion should future funding shortfalls occur. Investment income is shown net of \$3,069 and \$3,381 of investment expenses as of June 30, 2004 and 2003, respectively.

**g) Bad Debts**

The financial statements of the Center 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)**

**h) Promises to Give/Contributions**

Contributions are recognized when a donor makes a promise to give to the Center that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are recognized as assets and revenues.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2003, the Center received a \$50,000 conditional promise to give from the Board of Global Ministries and as of June 30, 2004, a conditional promise to give was received from the Patrick F. Taylor Foundation for \$20,000 conditioned upon the Center constructing a new dormitory for up to 12 girls. As of June 30, 2003, the Center had spent \$10,000 on architectural fees for the construction of a new building. The Center did not have any expenses for the new building for the year ended June 30, 2004.

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.

**i) 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	25 - 30 years
Leasehold improvements	15 - 27 years
Land improvements	11 - 20 years
Furniture and fixtures	3 - 20 years
Machinery and equipment	3 - 15 years
Autos and trucks	3 - 6 years

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

**i) Property and Equipment (continued)**

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, 2004 and 2003 was \$51,490 and \$49,825, respectively.

**j) Donated Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value 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 Center's policy to apply the time and use restrictions based on the assets' estimated fair values of use and term of use. Estimated fair value of the use of property is determined by independent appraisal. 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 Center reports expirations of donor restrictions when the donated or acquired assets are placed in service or used as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**k) 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 Center. 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 materials because there is no objective basis available to measure the value of such materials.

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

**l) Compensated Absences**

Full-time staff are entitled to paid vacations after one full year of employment. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year unless the agency requests an employee to postpone vacation for the good of the program. Terminating employees will be paid for unused vacation leave if leaving prior to their anniversary date. The total amount of accrued accumulated vacation leave at June 30, 2004 and 2003 was \$63,743 and \$64,283, 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.

**m) 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.

**n) Income Taxes**

The Center is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provisions for income taxes have been made.

**Note 2 - INVESTMENTS**

Investments for the years ended June 30, 2004 and 2003 are as follows:

<u>Investment Pool</u>	<u>June 30, 2004</u>		<u>June 30, 2003</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Operating Trust	<u>\$ 65,677</u>	<u>\$ 65,677</u>	<u>\$ 63,185</u>	<u>\$ 63,185</u>
Endowment Trust:				
Money market	9,216	9,216	8,415	8,415
Mutual funds - fixed	168,011	172,989	219,917	199,405
Mutual funds - equity	<u>208,780</u>	<u>230,684</u>	<u>155,005</u>	<u>166,051</u>
Total endowment trust	<u>386,007</u>	<u>412,889</u>	<u>383,337</u>	<u>373,871</u>
Restricted Trust	<u>236,022</u>	<u>222,211</u>	<u>225,354</u>	<u>196,490</u>
Totals	<u>\$687,706</u>	<u>\$700,777</u>	<u>\$671,876</u>	<u>\$633,546</u>

The investment pools of the operating and restricted trusts have been merged by the bank trustee. While the administrator, the United Methodist Foundation, maintains separate accounting for the operating and restricted trusts, the merged investment pool at December 31, 2003, the latest trust report date, consisted of the following:

Cash and cash equivalents	4.7%
Fixed income securities	36.2%
Equities	54.2%
Real estate and mortgage receivables	<u>4.9%</u>
Total	<u>100.0%</u>

**Note 3 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets include the present value of a lease agreement between the Center 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 Center. The lease restricts the use of land, the Executive Director's residence, the administration building and various cottages to a residential treatment center for children and youth for the thirteen years ending December 31, 2012. The present value of the lease 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, times the number of years of the lease, thirteen years. A discount rate of 8% was used to determine the present value. The annual lease rental for the year ended June 30, 2004 and 2003 was \$77,139 and \$71,319, respectively.

**Note 3 - RESTRICTIONS ON NET ASSETS (Continued)**

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 Center's general activities.

**Note 4 - PROPERTY AND EQUIPMENT**

At June 30, 2004 and 2003 property and equipment consist of the following:

	<u>2004</u>	<u>2003</u>
Land and improvements	\$ 57,826	\$ 57,826
Building	53,483	53,483
Leasehold improvements	760,130	762,068
Machinery and equipment	158,491	155,013
Furniture and fixtures	71,821	72,921
Autos and trucks	82,750	82,750
Construction in progress	<u>10,000</u>	<u>10,000</u>
	1,194,501	1,194,061
Less accumulated depreciation	<u>760,580</u>	<u>722,889</u>
Net property and equipment	<u>\$ 433,921</u>	<u>\$ 471,172</u>

Construction in progress is for architect fees for the plan of a new dormitory.

**Note 5 - RETIREMENT PLAN**

A defined contribution plan is provided on a voluntary basis to the employees of the Center by the General Board of Pensions of the United Methodist Church. Under this plan, participating employees contribute three percent of their salaries to the retirement fund and the Center contributes an amount equal to six percent of the salaries of such employees. The Center's contributions to the plan for the years ended June 30, 2004 and 2003 were \$53,002 and \$52,046, respectively.

**Note 6 - ECONOMIC DEPENDENCY**

The Center 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, 2004 and 2003 were \$1,491,638 and \$1,455,766, respectively.

Reimbursements are determined based on a child-care day rate of \$119.75 per child-care. The allowances for clothing and personal needs included in the rate amounted \$1.10 and \$0.65 per child-care day. The Center maintains records on a daily basis for each child in attendance at the Center. The child-care days for the years ended June 30, 2004 and 2003 were 12,641 and 12,337, respectively. If significant budget cuts are made at the federal and/or state level, the amount of support the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of support the Center will receive in the next fiscal year.

**Note 7 - CONCENTRATION OF RISK**

MacDonell United Methodist Children's Services, Inc. maintains several bank accounts at Whitney National Bank and Hibernia National Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at these institutions exceeded Federally insured limits by \$118,200 as of June 30, 2004 and \$33,552 as of June 30, 2003.

**Note 8 - RISK MANAGEMENT**

The Center 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, 2004 and 2003.

**SUPPLEMENTARY INFORMATION SECTION**



Bourgeois Bennett

## 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 Center), for the years ended June 30, 2004 and 2003, appears on page 1. The audits were conducted for the purpose of forming an opinion on such financial statements taken 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, 2004 and 2003 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2004 and 2003, 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 statements of financial position of MacDonell United Methodist Children's Services, Inc., as of June 30, 2002, and the related statement of activities for the year ended June 30, 2002 (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, 2002 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
August 4, 2004.

**SCHEDULE OF REVENUES AND EXPENSES**

Schedule 1

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

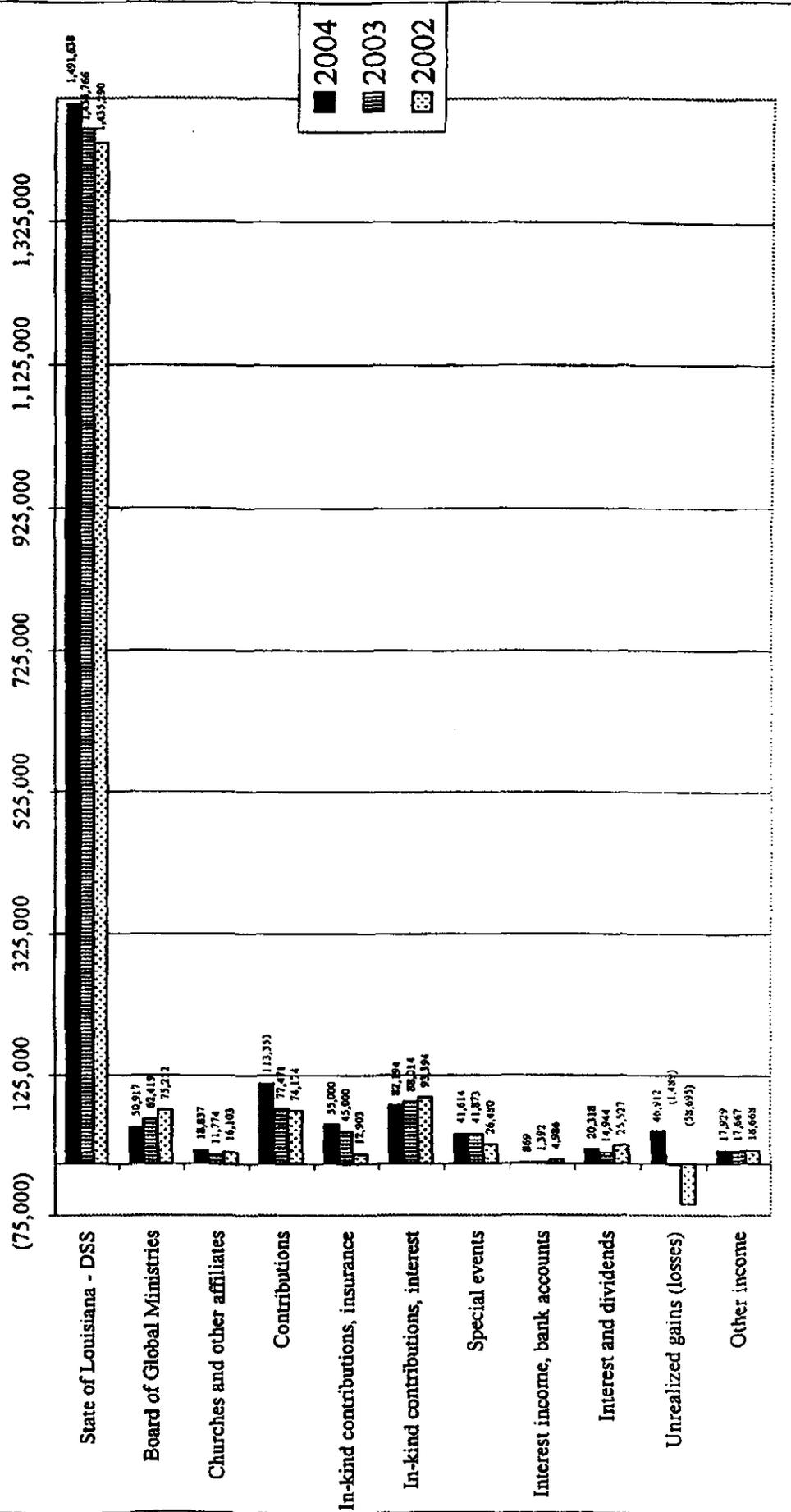
For the years ended June 30, 2004, 2003, and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues</b>			
State of Louisiana - DSS	\$ 1,491,638	\$ 1,455,766	\$ 1,435,290
Board of Global Ministries	50,917	62,419	75,252
Churches and other affiliates	18,837	11,774	16,103
Contributions	113,353	77,471	74,174
In-kind contributions, insurance	55,000	45,000	12,903
In-kind contributions, interest	82,194	88,014	93,394
Special events	41,614	41,873	26,480
Interest income, bank accounts	869	1,392	4,986
Investment income, interest and dividends	20,318	14,944	25,527
Investment income, unrealized gains (losses)	46,912	(1,489)	(58,695)
Other income	17,929	17,667	18,668
	<u>1,939,581</u>	<u>1,814,831</u>	<u>1,724,082</u>
<b>Total revenues</b>	<b>\$ 1,939,581</b>	<b>\$ 1,814,831</b>	<b>\$ 1,724,082</b>
<b>Expenses</b>			
Salaries	\$ 1,119,072	\$ 1,108,378	\$ 1,066,557
Payroll taxes	80,738	80,502	78,790
Employee benefits	96,147	88,905	79,960
Building and grounds maintenance	14,881	20,711	18,124
Contract services	18,600	18,600	18,600
Depreciation	51,490	49,825	42,796
Donated use of facilities	77,139	71,319	65,939
Donated interest	82,195	88,014	93,394
Food and beverage	66,844	63,512	64,289
Insurance	114,529	104,560	65,788
Other expenses	108,755	101,444	113,283
Supplies	12,590	14,663	11,318
Utilities	55,339	46,774	41,224
Volunteer Activist	8,017	11,802	9,376
	<u>1,906,336</u>	<u>1,869,009</u>	<u>1,769,438</u>
<b>Total expenses</b>	<b>\$ 1,906,336</b>	<b>\$ 1,869,009</b>	<b>\$ 1,769,438</b>

REVENUES

MacDonell United Methodist Children's Services, Inc.

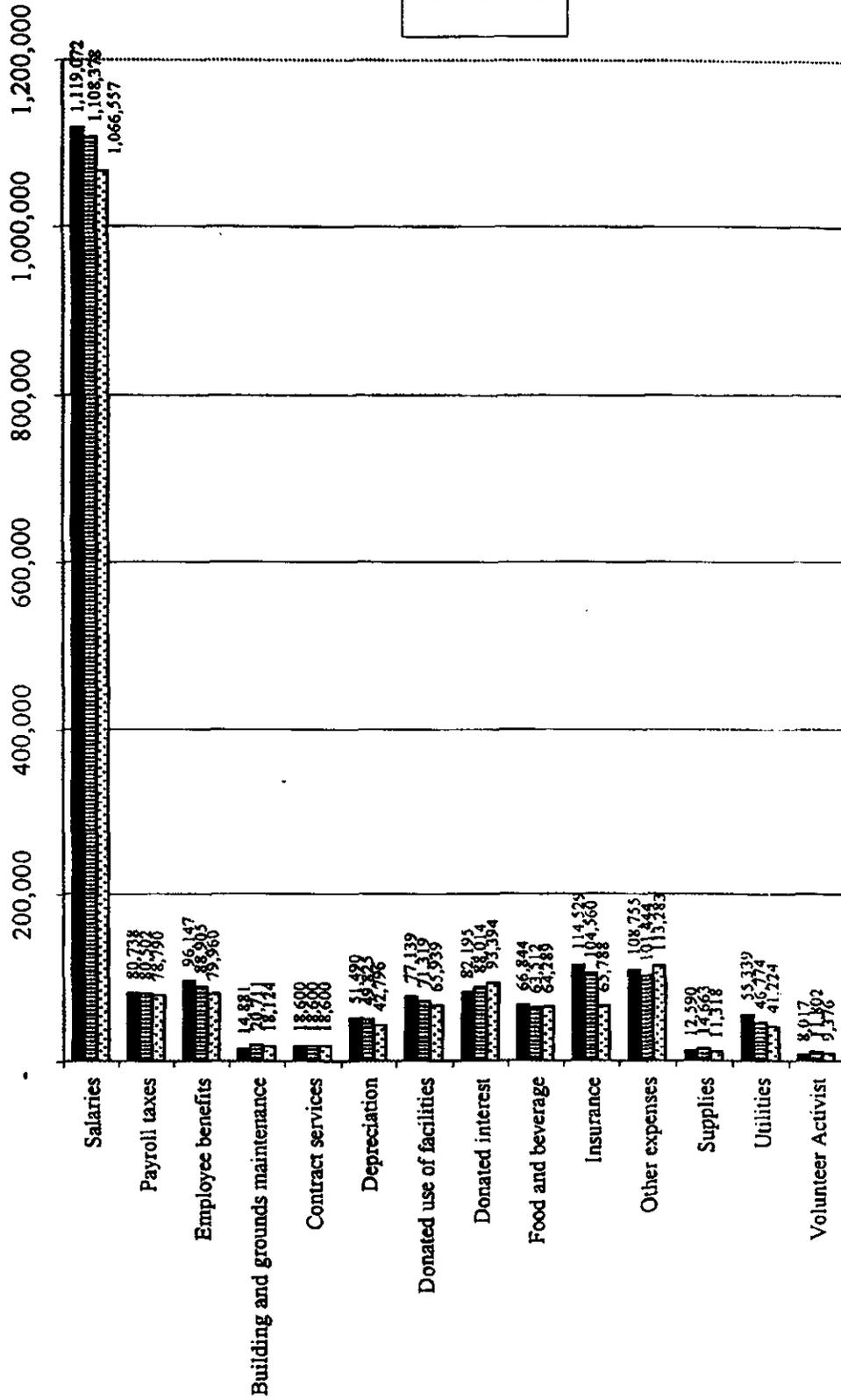
For the years ended June 30, 2004, 2003 and 2002



**EXPENSES**

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

For the years ended June 30, 2004, 2003, and 2002



**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING 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 the financial statements of MacDonell United Methodist Children's Services, Inc., (the Center), as of and for the year ended June 30, 2004, and have issued our report thereon dated August 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or

more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
August 4, 2004.

## SCHEDULE OF FINDINGS

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

For the year ended June 30, 2004

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

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                     yes    no
- Reportable condition(s) identified that are not  
  considered to be material weaknesses?             yes    none reported

Noncompliance material to financial statements noted?    yes    no

##### **b) Federal Awards**

MacDonell United Methodist Children's Services, Inc. did not receive federal awards in excess of \$500,000 during the year ended June 30, 2004 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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

No financial statement findings were noted during the audit for the year ended June 30, 2004.

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

Not applicable.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS**

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

For the year ended June 30, 2004

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

##### **Internal Control**

No material weaknesses were reported during the audit for the year ended June 30, 2003.  
No reportable conditions were reported during the audit for the year ended June 30, 2003.

##### **Compliance**

No compliance findings material to the financial statements were noted during the year ended June 30, 2003.

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

MacDonell United Methodist Children's Services, Inc. did not receive federal awards in excess of \$300,000 during the year ended June 30, 2003 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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

A management letter was not issued in connection with the audit for the year ended June 30, 2003.

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

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

For the year ended June 30, 2004

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

#### **Internal Control**

No material weaknesses were reported during the audit for the year ended June 30, 2004.  
No reportable conditions were reported during the audit for the year ended June 30, 2004.

#### **Compliance**

No compliance findings material to the financial statements were noted during the year ended June 30, 2004.

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

MacDonell United Methodist Children's Services, Inc. did not receive federal awards in excess of \$500,000 during the year ended June 30, 2004 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2004.