

Financial Report

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

Houma, Louisiana

For the years ended June 30, 2018 and 2017

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MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2018 and 2017

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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, 2018 and 2017 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, 2018 and 2017, 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 27, 2018 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 27, 2018.

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

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 478,914	\$ 248,874
Investments	285,998	280,710
Accounts receivable, state agencies	70,640	51,531
Prepaid insurance	18,909	21,783
Assets restricted for future years' use of facilities	1,151,634	1,239,004
Restricted trust - investments	131,028	125,119
Property and equipment, net	301,213	317,840
Deposits	200	200
	<u> </u>	<u> </u>
Totals	<u>\$ 2,438,536</u>	<u>\$ 2,285,061</u>
Liabilities		
Accounts payable	\$ 19,266	\$ 19,867
Accrued salaries and compensated absences	34,884	28,361
Payroll taxes payable	1,780	229
Other liabilities	4,650	7,263
Notes payable	25,065	29,032
	<u> </u>	<u> </u>
Total liabilities	<u>85,645</u>	<u>84,752</u>
Net Assets		
Unrestricted:		
Designated for subsequent years' expenses and plant expansion	168,927	168,927
Undesignated	968,239	728,287
	<u> </u>	<u> </u>
Total unrestricted	1,137,166	897,214
Temporarily restricted	1,187,450	1,274,820
Permanently restricted	28,275	28,275
	<u> </u>	<u> </u>
Total net assets	<u>2,352,891</u>	<u>2,200,309</u>
	<u> </u>	<u> </u>
Totals	<u>\$ 2,438,536</u>	<u>\$ 2,285,061</u>

See notes to financial statements.

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

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Unrestricted Net Assets		
Support:		
State of Louisiana - Department of Social Services	\$ 678,869	\$ 532,437
General Board of Global Ministries of the United Methodist Church	55,572	53,319
Churches and other affiliates	21,993	11,359
Contributions of individuals and other non-church affiliations	50,744	30,154
In-kind contributions, insurance	21,947	22,582
In-kind contributions	71,964	77,039
Special events	160,923	159,395
	<u>1,062,012</u>	<u>886,285</u>
Total unrestricted support		
Revenue:		
Interest income, bank accounts	600	3,237
Investment return	15,183	19,132
Gain on disposal of assets	152,820	-
Other income	118,172	116,477
	<u>286,775</u>	<u>138,846</u>
Total unrestricted revenue		
Net assets released from restrictions:		
Use of facilities	87,369	82,294
Earnings of the restricted trust	812	975
	<u>88,181</u>	<u>83,269</u>
Total net assets released from restrictions		
Total unrestricted support, revenue and net assets released from restrictions (carry forward)	<u>1,436,968</u>	<u>1,108,400</u>

**Exhibit B
(Continued)**

	<u>2018</u>	<u>2017</u>
Total unrestricted support, revenue and net assets released from restrictions (brought forward)	1,436,968	1,108,400
Expenses		
Program Services:		
Plant operations and maintenance	147,480	145,793
Costs related to capital assets	202,989	206,832
Dietary	57,864	52,860
Laundry and linen	4,672	5,085
Personal client needs	1,538	35
Medical and nursing	2,848	2,352
Therapeutic and training	290,201	272,631
Recreational	71,593	48,140
Total program services	<u>779,185</u>	<u>733,728</u>
Support Services:		
Administrative and general	411,742	364,349
Fund raising	6,090	6,078
Total support services	<u>417,832</u>	<u>370,427</u>
Total expenses	<u>1,197,017</u>	<u>1,104,155</u>
Increase in Unrestricted Net Assets	<u>239,951</u>	<u>4,245</u>
Temporarily Restricted Net Assets		
Net assets released from restrictions for use of facilities	<u>(87,369)</u>	<u>(82,294)</u>
Permanently Restricted Net Assets		
Interest and dividends earned in restricted trust	812	975
Restricted trust earnings released from restrictions	<u>(812)</u>	<u>(975)</u>
Increase in Permanently Restricted Net Assets	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	152,582	(78,049)
Net Assets		
Beginning of year	<u>2,200,309</u>	<u>2,278,358</u>
End of year	<u>\$ 2,352,891</u>	<u>\$ 2,200,309</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2018

	Program Services					
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	Personal Client Needs	Medical and Nursing
Salaries	\$ 56,719	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll taxes	4,142	-	-	-	-	-
Total salaries and related expenses	60,861	-	-	-	-	-
Activities and supplies	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-
Allowances	-	-	-	-	28	-
Building and grounds maintenance	31,994	-	-	-	-	-
Building and grounds repair	4,223	-	-	-	-	-
Clothing	-	-	-	-	1,024	-
Decoration Supplies - Vol. Gala	-	-	-	-	-	-
Depreciation:						
Building	-	3,725	-	-	-	-
Furniture and equipment	-	20,084	-	-	-	-
Leasehold improvements	-	19,847	-	-	-	-
Donated use of facilities	-	159,333	-	-	-	-
Dues	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-
Food and beverage	-	-	57,864	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
License	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	2,848
Miscellaneous	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-
Personal items	-	-	-	-	486	-
Postage	-	-	-	-	-	-
Printing	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-
Professional services	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	7,088	-	-	-	-	-
Subscriptions	-	-	-	-	-	-
Supplies	3,246	-	-	4,672	-	-
Telephone	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-
Utilities	40,068	-	-	-	-	-
Totals	<u>\$ 147,480</u>	<u>\$ 202,989</u>	<u>\$ 57,864</u>	<u>\$ 4,672</u>	<u>\$ 1,538</u>	<u>\$ 2,848</u>

See notes to financial statements.

Program Services			Support Services			
Therapeutic and Training	Recreational	Totals	Administrative and General	Fund Raising	Totals	Totals
\$ 269,948	\$ 46,093	\$ 372,760	\$ 146,205	\$ -	\$ 146,205	\$ 518,965
20,253	3,495	27,890	11,012	-	11,012	38,902
290,201	49,588	400,650	157,217	-	157,217	557,867
-	22,005	22,005	-	-	-	22,005
-	-	-	5,845	-	5,845	5,845
-	-	28	-	-	-	28
-	-	31,994	-	-	-	31,994
-	-	4,223	-	-	-	4,223
-	-	1,024	-	-	-	1,024
-	-	-	-	567	567	567
-	-	3,725	-	-	-	3,725
-	-	20,084	-	-	-	20,084
-	-	19,847	-	-	-	19,847
-	-	159,333	-	-	-	159,333
-	-	-	3,050	-	3,050	3,050
-	-	-	-	350	350	350
-	-	57,864	-	-	-	57,864
-	-	-	-	3,481	3,481	3,481
-	-	-	120,299	-	120,299	120,299
-	-	-	1,060	-	1,060	1,060
-	-	-	623	-	623	623
-	-	2,848	-	-	-	2,848
-	-	-	6,241	-	6,241	6,241
-	-	-	7,443	-	7,443	7,443
-	-	-	4,398	857	5,255	5,255
-	-	486	-	-	-	486
-	-	-	3,328	-	3,328	3,328
-	-	-	6,110	685	6,795	6,795
-	-	-	-	150	150	150
-	-	-	79,889	-	79,889	79,889
-	-	7,088	-	-	-	7,088
-	-	-	75	-	75	75
-	-	7,918	3,901	-	3,901	11,819
-	-	-	9,375	-	9,375	9,375
-	-	-	2,888	-	2,888	2,888
-	-	40,068	-	-	-	40,068
<u>\$ 290,201</u>	<u>\$ 71,593</u>	<u>\$ 779,185</u>	<u>\$ 411,742</u>	<u>\$ 6,090</u>	<u>\$ 417,832</u>	<u>\$ 1,197,017</u>

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2017

	Program Services					
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	Personal Client Needs	Medical and Nursing
Salaries	\$ 58,238	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll taxes	5,383	-	-	-	-	-
Total salaries and related expenses	63,621	-	-	-	-	-
Activities and supplies	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-
Allowances	-	-	-	-	20	-
Building and grounds maintenance	18,917	-	-	-	-	-
Building and grounds repair	17,627	-	-	-	-	-
Clothing	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-
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	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-
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>\$ 35</u>	<u>\$ 2,352</u>

See notes to financial statements.

Program Services			Support Services			
Therapeutic and Training	Recreational	Total	Administrative and General	Fund Raising	Total	Total
\$ 252,926	\$ 34,308	\$ 345,472	\$ 144,829	\$ -	\$ 144,829	\$ 490,301
19,705	2,611	27,699	10,929	-	10,929	38,628
272,631	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>\$ 272,631</u>	<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>

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

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 152,582	\$ (78,049)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Non-cash lease expense (support)	87,369	82,294
Depreciation	43,656	47,499
Gain from disposition of equipment	(152,820)	-
Gain on sale of investments	(3,743)	(579)
Unrealized gains on investments	(6,873)	(14,579)
Decrease (increase) in assets:		
Receivables	(19,109)	26,231
Prepaid insurance	2,874	892
Increase (decrease) in liabilities:		
Accounts payable	(601)	(11,543)
Accrued salaries and vacation	6,523	550
Payroll taxes payable	1,551	(295)
Other liabilities	(2,613)	777
Total adjustments	<u>(43,786)</u>	<u>131,247</u>
Net cash provided by operating activities	<u>108,796</u>	<u>53,198</u>
Cash Flows from Investing Activities		
Purchases of equipment	(34,153)	(5,374)
Proceeds from sale of assets	159,945	
Purchases of investments	(5,381)	(280,165)
Proceeds of investments sold	4,800	104,363
Net cash used in investing activities	<u>125,211</u>	<u>(181,176)</u>
Cash Flows from Financing Activities		
Principal payments of long-term debt	<u>(3,967)</u>	<u>(3,866)</u>
Net increase (decrease) in cash	230,040	(131,844)
Cash		
Beginning of year	<u>248,874</u>	<u>380,718</u>
End of year	<u>\$ 478,914</u>	<u>\$ 248,874</u>
See notes to financial statements.		

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

June 30, 2018 and 2017

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

MacDonell United Methodist Children's Services, Inc. (the "Agency") is the successor to the MacDonell United Methodist Children's Agency which was founded by Miss Ella K. Hooper in 1919 as a French mission school. Today, the Agency is a residential home for children whose circumstances leave them in need of a safe group living experience. The Agency provides around-the-clock care, education, Christian nurture, study and treatment for children in need of care outside their own homes. The Agency is licensed by the Louisiana State Department of Social Services for 11 residents as of June 30, 2018, and 12 residents as of June 30, 2017.

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 and Restricted Trusts. The Agency had no cash equivalents as of June 30, 2018 and 2017.

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	
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, 2018 and 2017 was \$43,656 and \$47,499, respectively.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Donated Leased Property

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

l) Donated Services and Materials

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

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

m) Compensated Absences

Full-time staff are entitled to paid vacations and holiday time after one full year of employment. Holiday time not taken is accrued from year to year. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year unless the Agency requests an employee to postpone vacation for the good of the program. Terminating employees will be paid for unused vacation leave and holiday time if leaving prior to their anniversary date. The total amount of accrued accumulated vacation leave and holiday time as of June 30, 2018 and 2017 was \$14,034 and \$10,596, 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 \$417,026 and \$405,829 as of June 30, 2018 and 2017, respectively. The following schedule summarizes investment returns and their classification in the Statement of Activities for the years ended:

Note 2- INVESTMENTS (Continued)

	June 30, 2018			June 30, 2017		
	Unrestricted	Restricted	Totals	Unrestricted	Restricted	Totals
Dividends and interest income	\$ 5,345	\$ 812	\$ 6,157	\$ 4,465	\$ 975	\$ 5,440
Net realized and unrealized gains (losses)	10,616	-	10,616	15,158	-	15,158
Fees	(778)	-	(778)	(491)	-	(491)
 Total investment return (loss)	 <u>\$ 15,183</u>	 <u>\$ 812</u>	 <u>\$ 15,995</u>	 <u>\$ 19,132</u>	 <u>\$ 975</u>	 <u>\$ 20,107</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, 2018, investments in marketable securities are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. Assets as of June 30, 2018 measured at fair value on a recurring basis are comprised of and determined as follows:

Description	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Operating Trust managed by United Methodist Foundation	\$ 171,391	\$ -	\$ 171,391	\$ -
Pooled accounts managed by Greater New Orleans Foundation	114,607	-	114,607	-
	285,998	-	285,998	-
Restricted Trust managed by United Methodist Foundation	131,028	-	131,028	-
Totals	<u>\$ 417,026</u>	<u>\$ -</u>	<u>\$ 417,026</u>	<u>\$ -</u>

Exhibit F
(Continued)

Note 3 - FAIR VALUE MEASUREMENT (Continued)

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

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

As of June 30, 2018 and 2017, 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 Greater Foundation of New Orleans uses a total return approach to investment management and is structured to deliver a predictable, smooth rate of return across all market environments. Information below for the Greater New Orleans Foundation is as of December 31, 2017 and 2016, while Operating and Restrictive Trusts are as of June 30, 2018 and 2017, consisted of the following:

	Operating and Restrictive Trust		Greater New Orleans Foundation	
	2018	2017	2018	2017
Cash and cash equivalents	2.0%	1.5%	8.0%	13.7%
Fixed income securities	39.9%	46.4%	65.9%	63.8%
Equities	47.0%	41.4%	26.1%	22.5%
Real estate and mortgage receivables	4.8%	5.2%	-	-
Hedge funds	6.3%	5.5%	-	-
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<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 children and youth for the fourteen years and nine months ending December 31, 2027. The present value of the lease, \$1,151,634 and \$1,239,004 as of June 30, 2018 and 2017 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, 2018 and 2017, respectively. The annual lease rental for the years ended June 30, 2018 and 2017 was \$159,333 each.

Also included in temporarily restricted net assets for years ended June 30, 2018 and 2017 is \$35,816 in assets restricted for the purpose of construction of a girl's 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

As of June 30, 2018 and 2017 property and equipment consist of the following:

	2018	2017
Land and land improvements	\$ 82,046	\$ 82,046
Buildings	57,613	102,613
Leasehold improvements	926,422	921,672
Machinery and equipment	162,250	162,250
Furniture and fixtures	87,491	87,491
Autos and trucks	75,827	51,238
 Total property and equipment	 1,391,649	 1,407,310
Less accumulated depreciation	1,090,436	1,089,470
 Net property and equipment	 \$ 301,213	 \$ 317,840

Note 6 - NOTES PAYABLE

The Agency has a promissory note to the United Methodist Foundation with a balance of \$25,065 and \$29,032 as of June 30, 2018 and 2017, respectively. The note is secured with funds on deposit in the Operating and Restrictive Trusts, \$302,419 as of June 30, 2018 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, 2018. The change in the interest rate, if any, shall become effective on the first day of any calendar month following a change in the Fixed Income Fund Rate.

For the year ended June 30, 2018, the Agency made average monthly payments of \$400 on the note with the payment in excess of the required installment being applied to the principal balance. Accordingly, the principal balance of the note will become fully paid by August 1, 2024 under the existing terms of the note.

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 3,766
2020	3,880
2021	3,998
2022	4,120
2023	4,245
2024	<u>5,056</u>
	<u>\$ 25,065</u>

The Agency recorded interest expense of \$833 for the year ended June 30, 2018.

Note 7 - LEASE COMMITMENTS

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

Note 7 - LEASE COMMITMENTS (Continued)

Future minimum lease payments under the outstanding leases as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 2,646
2020	2,646
2021	2,646
2022	2,646
2023	<u>2,645</u>
Total	<u>\$ 13,229</u>

Rental expense for the years end June 30, 2018 and 2017 totaled \$5,618 and \$3,742, respectively.

Note 8 - 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, 2018 and 2017.

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 2014.

Note 9 - 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, 2018 and 2017.

Note 10 - 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. For the year ended June 30, 2018, cash at one institution exceeded Federally insured limits by \$24,962. Cash did not exceed Federally insured limits for the years ended June 30, 2017.

Note 11 - 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, 2018 and 2017 were \$678,869 and \$532,437, respectively.

Reimbursements are determined based on a child-care day rate. Beginning October 1, 2017, the child-care day rate increased from \$125.63 to \$148.44. Beginning November 1, 2017, Level 1 and Level 2 care will be provided at a day rate of \$148.44 and \$196.68, respectively. The allowances for clothing and personal needs for ages 12 and under are \$2.46 and \$0.99, respectively, and ages 13 and over are \$2.68 and \$1.56, respectively, per child-care day. The Agency maintains records on a daily basis for each child in attendance at the Agency. The child-care days for the years ended June 30, 2018 and 2017 were 4,210 and 4,238, 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 12 - 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 27, 2018, 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, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017, 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, 2016, and the related statement of activities for the year ended June 30, 2016 (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, 2016 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, 2018 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.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 27, 2018.

**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, 2018

Agency Head Name: Kevin Champagne

Purpose	<u>Amount</u>
Salary	\$ 78,994
Benefits - insurance	3,793
Benefits - retirement	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	1,314
Registration fees	750
Conference travel	-
Continuing professional education fees	-
Housing*	16,380
Unvouchered expenses	-
Meals	-
	<u> </u>
	<u><u>\$ 101,231</u></u>

* Estimated benefit received from required on-campus residence.

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

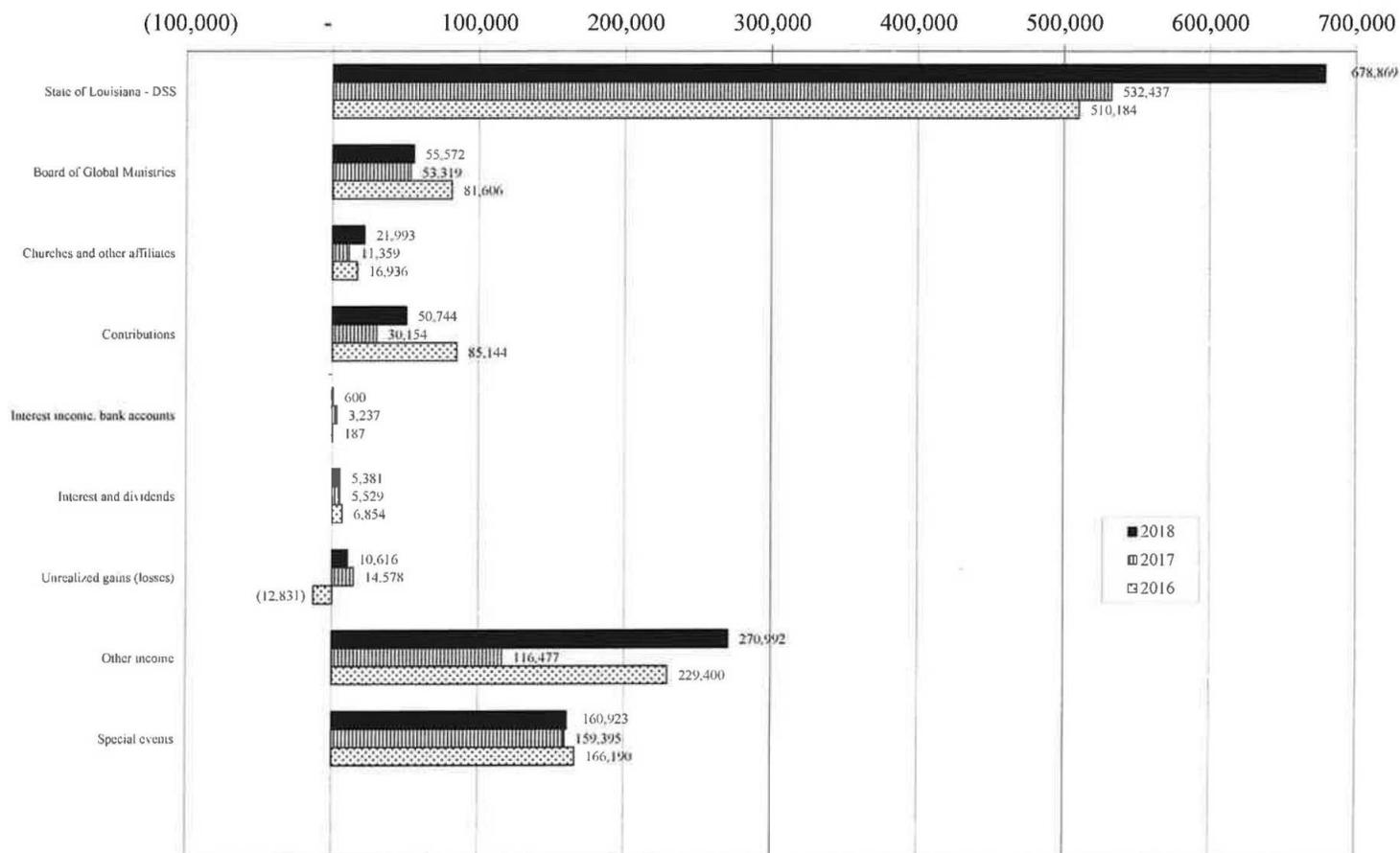
For the three years ended June 30, 2018, 2017, and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
State of Louisiana - DSS	\$ 678,869	\$ 532,437	\$ 510,184
Board of Global Ministries	55,572	53,319	81,606
Churches and other affiliates	21,993	11,359	16,936
Contributions	50,744	30,154	85,144
Interest income, bank accounts	600	3,237	187
Investment income, interest and dividends	5,381	5,529	6,854
Investment income, unrealized gains (losses)	10,616	14,578	(12,831)
Other income	270,992	116,477	229,400
Special events	160,923	159,395	166,190
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 1,255,690</u>	<u>\$ 926,485</u>	<u>\$ 1,083,670</u>
Expenses			
Salaries	\$ 518,965	\$ 490,301	\$ 574,026
Payroll taxes	38,902	38,628	44,037
Building and grounds maintenance	31,994	18,917	22,791
Depreciation	43,656	47,499	49,899
Food and beverage	57,864	52,860	29,175
Insurance	83,899	90,612	103,520
Other expenses	88,138	84,196	59,800
Professional services	79,889	45,571	53,511
Supplies	11,819	12,406	11,750
Utilities	40,068	35,172	33,354
Volunteer Gala	6,090	6,078	6,824
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,001,284</u>	<u>\$ 922,240</u>	<u>\$ 988,687</u>

REVENUES

MacDonell United Methodist Children's Services, Inc.

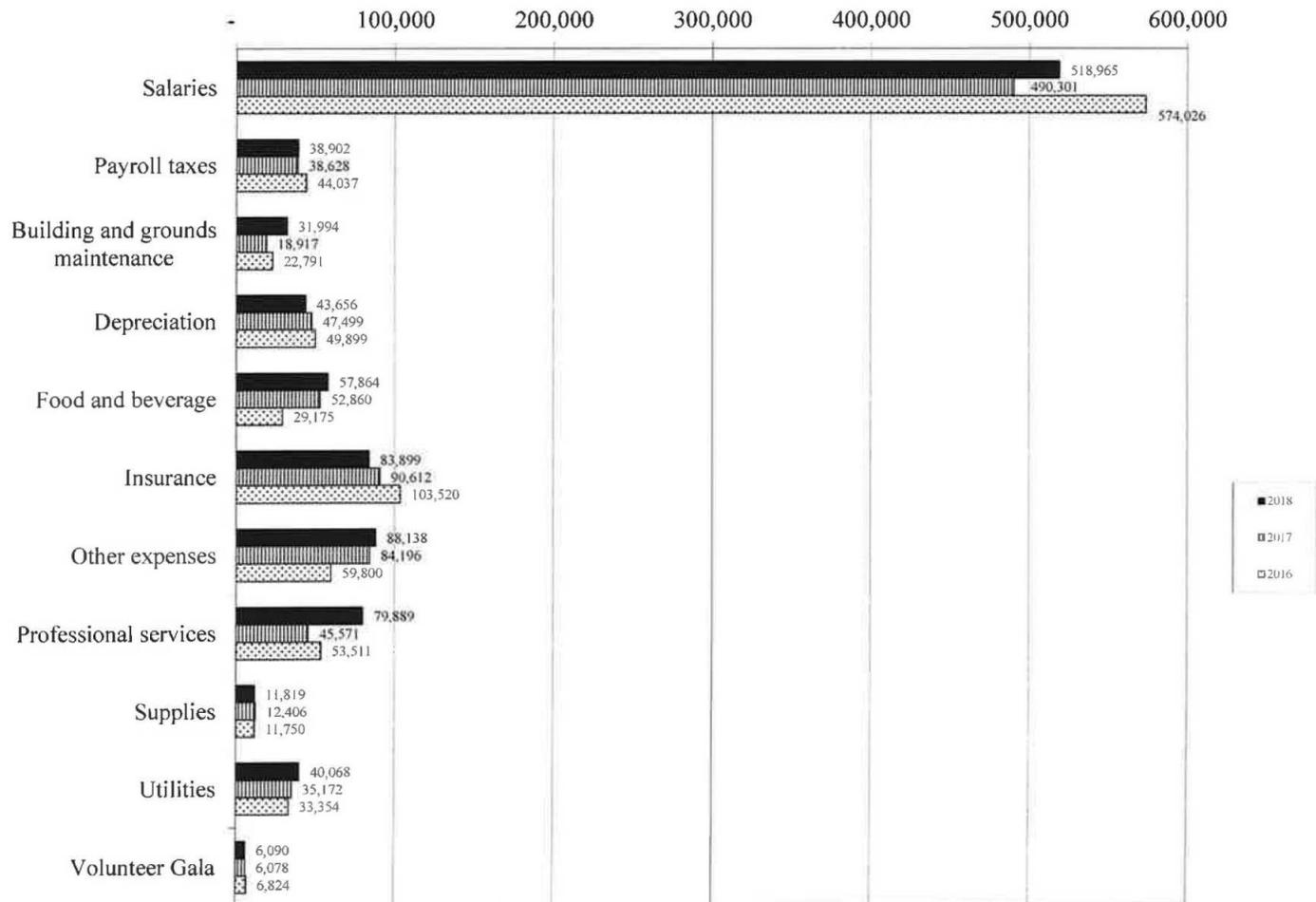
For the years ended June 30, 2018, 2017 and 2016



EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2018, 2017, and 2016



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, 2018, 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 27, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 27, 2018.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2018

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 reportable conditions 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.

MANAGEMENT'S CORRECTIVE ACTION PLAN

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2018

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, 2018.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2018.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2018.

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, 2018 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, 2018.