

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

Financial Statements and
Independent Auditor's Report

June 30, 2021 and 2020

MacDonell United Methodist Children's Services, Inc.

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June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of MacDonell United Methodist Children's Services, Inc., a nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, 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. 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 presentation of the financial statements.

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 MacDonell United Methodist Children's Services, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to the Executive Director on page 22 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 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.

The financial statements as of and for the year ended June 30, 2020 were audited by other auditors, whose report dated February 8, 2021, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Martin and Pelgri". The signature is written in a cursive, flowing style.

Houma, Louisiana
January 17, 2022

FINANCIAL STATEMENTS

MacDonell United Methodist Children's Services, Inc.

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 636,319	\$ 708,828
Investments	481,734	390,582
Restricted trust - investments	143,344	143,344
Due from state agency	67,192	50,680
Prepaid insurance	7,916	24,614
Total Current Assets	1,336,505	1,318,048
Non-current Assets		
Assets restricted for future use of facilities	855,844	960,397
Property and equipment, net	663,527	653,475
Total Non-current Assets	1,519,371	1,613,872
Other Assets	200	7,615
Total Assets	\$ 2,856,076	\$ 2,939,535
Liabilities		
Current Liabilities		
Accounts payable	\$ 16,096	\$ 23,611
Accrued salaries	37,622	17,825
Payroll taxes payable	10,948	3,502
Note payable	4,120	3,998
Other accrued expenses	11,295	40,981
Total Current Liabilities	80,081	89,917
Long-term Liabilities		
Compensated absences	9,006	10,842
Note payable	8,371	12,884
Paycheck protection program loan	-	112,800
Total Long-term Liabilities	17,377	136,526
Total Liabilities	97,458	226,443
Net Assets		
Without donor restrictions		
Designated	168,927	168,927
Undesignated	1,669,756	1,519,677
Total Net Assets Without Donor Restrictions	1,838,683	1,688,604
With donor restrictions	919,935	1,024,488
Total Net Assets	2,758,618	2,713,092
Total Liabilities and Net Assets	\$ 2,856,076	\$ 2,939,535

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021			2020		
	With Donor Restrictions	Without Donor Restrictions	Total	With Donor Restrictions	Without Donor Restrictions	Total
Support						
State of Louisiana - Dept. of Social Services	\$ -	\$ 1,039,260	\$1,039,260	\$ -	\$ 717,513	\$ 717,513
General Board of Global Ministries of the United Methodist Church	-	5,000	5,000	-	10,276	10,276
Churches and other affiliates	-	9,162	9,162	-	8,021	8,021
Contributions - individuals and others	-	119,575	119,575	-	440,943	440,943
In-kind contributions - insurance	-	35,623	35,623	-	20,831	20,831
In-kind contributions - other	-	60,854	60,854	-	60,854	60,854
Special events	-	108,099	108,099	-	137,158	137,158
Total Support	-	1,377,573	1,377,573	-	1,395,596	1,395,596
Other Revenue						
Interest income	-	3,672	3,672	-	4,336	4,336
Investment return	-	90,482	90,482	-	9,251	9,251
Earnings of the restricted trust	670	-	670	856	-	856
LWCC dividend	-	27,256	27,256	-	71,042	71,042
Other income	-	170,462	170,462	-	136,173	136,173
Total Other Revenue	670	291,872	292,542	856	220,802	221,658
Net Assets Released from Restrictions						
Use of facilities	(104,553)	104,553	-	(98,479)	98,479	-
Earnings of the restricted trust	(670)	670	-	(856)	856	-
Total Net Assets Released	(105,223)	105,223	-	(99,335)	99,335	-
Expenses						
Program services	-	1,107,751	1,107,751	-	858,404	858,404
Support services	-	516,838	516,838	-	423,442	423,442
Loss on disposal of assets	-	-	-	-	5,492	5,492
Total Expenses	-	1,624,589	1,624,589	-	1,287,338	1,287,338
Change in Net Assets	(104,553)	150,079	45,526	(98,479)	428,395	329,916
Net Assets, Beginning of Year	1,024,488	1,688,604	2,713,092	1,122,967	1,260,209	2,383,176
Net Assets, End of Year	\$ 919,935	\$ 1,838,683	\$2,758,618	\$1,024,488	\$ 1,688,604	\$2,713,092

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services						Support Services				Total Expenses
	Therapeutic and Training	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Recreational	Other	Total Program Services	Administrative and General	Fund Raising	Total Support Services	
Salaries	\$ 545,625	\$ 51,075	\$ -	\$ -	\$ 32,368	\$ -	\$ 629,068	\$ 212,890	\$ -	\$ 212,890	\$ 841,958
Payroll taxes	39,851	3,763	-	-	7,238	-	50,852	11,804	-	11,804	62,656
Total	585,476	54,838	-	-	39,606	-	679,920	224,694	-	224,694	904,614
Insurance	-	-	-	-	-	-	-	162,863	-	162,863	162,863
Donated use of facilities	-	-	104,553	-	-	-	104,553	-	-	-	104,553
Depreciation	-	-	64,859	-	-	-	64,859	-	-	-	64,859
Food and beverage	-	-	-	64,405	-	-	64,405	-	-	-	64,405
Interest expense	-	-	54,780	-	-	-	54,780	1,006	-	1,006	55,786
Repairs and maintenance	-	51,656	-	-	-	-	51,656	-	-	-	51,656
Telephone	-	-	-	-	-	-	-	37,611	-	37,611	37,611
Professional services	-	-	-	-	-	-	-	37,579	-	37,579	37,579
Utilities	-	32,770	-	-	-	-	32,770	-	-	-	32,770
Other supplies	-	2,598	-	-	-	10,361	12,959	9,362	-	9,362	22,321
Activities and supplies	-	-	-	-	16,102	-	16,102	-	-	-	16,102
Personal items	-	-	-	-	-	15,862	15,862	-	-	-	15,862
Motor vehicles	-	-	-	-	-	-	-	8,982	-	8,982	8,982
Office supplies	-	-	-	-	-	-	-	8,110	-	8,110	8,110
Medical supplies	-	-	-	-	-	8,053	8,053	-	-	-	8,053
Miscellaneous	-	-	-	-	-	-	-	6,482	526	7,008	7,008
Printing	-	-	-	-	-	-	-	6,210	-	6,210	6,210
Advertising and promotion	-	-	-	-	-	-	-	5,528	-	5,528	5,528
Dues and subscriptions	-	-	-	-	-	-	-	4,940	-	4,940	4,940
Postage	-	-	-	-	-	-	-	2,897	-	2,897	2,897
Clothing	-	-	-	-	-	1,832	1,832	-	-	-	1,832
Travel expenses	-	-	-	-	-	-	-	48	-	48	48
Total Expenses	\$ 585,476	\$ 141,862	\$ 224,192	\$ 64,405	\$ 55,708	\$ 36,108	\$ 1,107,751	\$ 516,312	\$ 526	\$ 516,838	\$ 1,624,589

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services						Support Services				
	Therapeutic and Training	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Recreational	Other	Total Program Services	Administrative and General	Fund Raising	Total Support Services	Total Expenses
Salaries	\$ 327,293	\$ 36,867	\$ -	\$ -	\$ 34,642	\$ -	\$ 398,802	\$ 151,753	\$ -	\$ 151,753	\$ 550,555
Payroll taxes	25,217	2,676	-	-	2,475	-	30,368	10,778	-	10,778	41,146
Total	352,510	39,543	-	-	37,117	-	429,170	162,531	-	162,531	591,701
Insurance	-	-	-	-	-	-	-	126,943	-	126,943	126,943
Donated use of facilities	-	-	98,479	-	-	-	98,479	-	-	-	98,479
Repairs and maintenance	-	86,778	-	-	-	-	86,778	-	-	-	86,778
Food and beverage	-	-	-	64,237	-	-	64,237	-	4,087	4,087	68,324
Interest expense	-	-	60,854	-	-	-	60,854	630	-	630	61,484
Depreciation	-	-	42,203	-	-	-	42,203	-	-	-	42,203
Professional services	-	-	-	-	-	-	-	42,047	-	42,047	42,047
Utilities	-	32,843	-	-	-	-	32,843	-	-	-	32,843
Telephone	-	-	-	-	-	-	-	31,486	-	31,486	31,486
Activities and supplies	-	-	-	-	24,762	-	24,762	-	-	-	24,762
Other supplies	-	2,685	-	-	-	8,038	10,723	6,297	1,713	8,010	18,733
Miscellaneous	-	-	-	-	-	-	-	5,448	6,292	11,740	11,740
Motor vehicles	-	-	-	-	-	-	-	8,364	-	8,364	8,364
Office supplies	-	-	-	-	-	-	-	6,667	-	6,667	6,667
Dues and subscriptions	-	-	-	-	-	-	-	6,327	-	6,327	6,327
Printing	-	-	-	-	-	-	-	4,809	623	5,432	5,432
Advertising and promotion	-	-	-	-	-	-	-	4,755	-	4,755	4,755
Medical supplies	-	-	-	-	-	4,384	4,384	-	-	-	4,384
Postage	-	-	-	-	-	-	-	2,967	123	3,090	3,090
Clothing	-	-	-	-	-	2,089	2,089	-	-	-	2,089
Personal items	-	-	-	-	-	1,882	1,882	-	-	-	1,882
Travel expenses	-	-	-	-	-	-	-	1,333	-	1,333	1,333
Total Expenses	\$ 352,510	\$ 161,849	\$ 201,536	\$ 64,237	\$ 61,879	\$ 16,393	\$ 858,404	\$ 410,604	\$ 12,838	\$ 423,442	\$ 1,281,846

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 45,526	\$ 329,916
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Non-cash lease expense	104,553	98,479
Depreciation	64,859	42,203
Loss on disposal of assets	-	5,492
Realized gain on sale of investments	(6,748)	(3,972)
Unrealized (gain) / loss on investments	(84,652)	333
Changes in assets and liabilities		
Receivables	(16,512)	16,564
Prepaid expenses	16,698	(3,112)
Other assets	7,415	-
Accounts payable	(7,515)	26,646
Accrued expenses	(2,443)	7,063
Other liabilities	(1,836)	2,003
Net Cash Provided by Operating Activities	119,345	521,615
Cash Flows from Investing Activities		
Purchases of equipment	(74,911)	(447,080)
Proceeds from sales of property and equipment	-	3,800
Purchases of investments	(4,552)	(6,468)
Proceeds from investments sold	4,800	4,800
Net Cash Used in Investing Activities	(74,663)	(444,948)
Cash Flows from Financing Activities		
Proceeds from loan payable	-	112,800
Principal payments of long-term debt	(117,191)	(4,177)
Net Cash Provided by / (Used in) Investing Activities	(117,191)	108,623
Net Increase / (Decrease) in Cash	(72,509)	185,290
Cash and Cash Equivalents		
Beginning of Year	708,828	523,538
End of Year	\$ 636,319	\$ 708,828
Supplemental Disclosure of Cash Flow Information		
Interest on lease of buildings and grounds	\$ 55,786	\$ 61,484

See accompanying notes.

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

- A. Nature of the Organization – MacDonell United Methodist Children's Services, Inc. (the "Organization") is the successor to the MacDonell United Methodist Children's Agency which was founded by Miss Ella K. Hooper in 1919 as a French mission school. Today, the Organization is a residential home for children whose circumstances leave them in need of a safe group living experience. The Organization provides care, education, Christian nurture, study and treatment for children in need of care outside their own homes. The Organization is licensed by the Louisiana State Department of Social Services for 38 residents as of June 30, 2021, and 12 residents as of June 30, 2020.
- B. Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Support and revenues are recognized when earned and expenses are recognized when incurred.
- C. Basis of Presentation – The financial statement presentation is in accordance with the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets:
1. Net Assets Without Donor Restrictions – Net assets for general use that are not subject to donor-imposed restrictions.
 2. Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- D. Cash and Cash Equivalents – For the purpose of the Statements of Cash Flows, the Organization considers all cash, including restricted cash, and other highly liquid investments with initial maturities of three months or less to be cash equivalents, exclusive of investments in the Operating and Restricted Trusts. The Organization had no cash equivalents as of June 30, 2021 and 2020.
- E. Investment Securities – Investments consist of assets held in an Operating Trust, Restricted Trust, and the Greater New Orleans Foundation. All investments are stated at their fair market value in the Statements of Financial Position.

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

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

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

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

- F. Promises to Give – Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recognized as assets and revenues. As of June 30, 2021 and 2020, there were no conditional promises to give.

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

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

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

Land	N/A
Land Improvements	10 - 20 Years
Buildings	10 - 25 Years
Leasehold Improvements	11 - 20 Years
Machinery and Equipment	7 - 8 Years
Furniture and Fixtures	5 - 15 Years
Autos and Trucks	3 - 5 Years

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

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

- I. 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 Organization'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 leased to MacDonell United Methodist Children's Services for the purpose of operations is dated January 11, 1999. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or used as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.
- J. 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 Organization. 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.
- K. Compensated Absences – Full-time staff are entitled to paid vacations and holiday time after one full year of employment. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year unless the Organization requests an employee to postpone vacation for the good of the program. Terminating employees will be paid for unused vacation leave time if leaving prior to their anniversary date. The total amount of accrued accumulated vacation leave as of June 30, 2021 and 2020 was \$9,006 and \$10,842, 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.
- L. Designated Net Assets – As of June 30, 2021 and 2020, the Organization's Board designated \$168,927 of its net assets to be used for subsequent years' plant expansion.

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

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

M. Income Taxes – The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes; however, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

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

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

N. Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Recent Accounting Pronouncement – In January 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard also provides a number of practical expedients. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 2 – Investments

The fair values of investments reported in investments without donor restrictions (Operating and the Greater New Orleans Foundation) and with donor restricted trusts totaled \$625,078 and \$533,926 as of June 30, 2021 and 2020, respectively. The following schedule summarizes investment returns and their classification in the Statements of Activities for the years ended:

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest income	\$ 2,890	\$ 670	\$ 3,560	\$ 7,249	\$ 856	\$ 8,105
Net realized and unrealized gains	89,559	-	89,559	3,639	-	3,639
Fees	(1,967)	-	(1,967)	(1,637)	-	(1,637)
Total investment return	<u>\$ 90,482</u>	<u>\$ 670</u>	<u>\$ 91,152</u>	<u>\$ 9,251</u>	<u>\$ 856</u>	<u>\$ 10,107</u>

Note 3 – Fair Value Measurement

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

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

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

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

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

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

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 3 – Fair Value Measurement (Cont.)

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

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

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

For the years ended June 30, 2021 and 2020, 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, 2021 and 2020 measured at fair value on a recurring basis are comprised of and determined as follows:

Description	2021			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	\$ -	\$ 182,178	\$ -	\$ 182,178
Pooled accounts managed by Greater New Orleans Foundation	-	281,224	-	281,224
	-	463,402	-	463,402
Restricted Trust managed by United Methodist Foundation	-	161,676	-	161,676
Totals	\$ -	\$ 625,078	\$ -	\$ 625,078

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 3 – Fair Value Measurement (Cont.)

Description	2020			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	\$ -	\$ 165,806	\$ -	\$ 165,806
Pooled accounts managed by Greater New Orleans Foundation	-	224,776	-	224,776
	-	390,582	-	390,582
Restricted Trust managed by United Methodist Foundation	-	143,344	-	143,344
Totals	<u>\$ -</u>	<u>\$ 533,926</u>	<u>\$ -</u>	<u>\$ 533,926</u>

As of June 30, 2021 and 2020, there were no assets measured at fair values on a non-recurring basis.

The investment pools of the Operating and Restricted Trusts have been merged by the bank trustee. The administrator, the United Methodist Foundation, maintains separate accounting for the Operating and Restricted Trusts. The Operating Trust invests in high quality bonds and loans to Methodist Churches in the Louisiana Conference while the Restricted Trust seeks to produce growth and income by investing in equities and short to intermediate-term bonds. The Greater Foundation of New Orleans uses a total return approach to investment management and is structured to deliver a predictable rate of return across all market environments. The Operating and Restricted Trusts and Greater New Orleans Foundation consisted of the following as of June 30, 2021 and 2020:

	Operating and Restricted Trust		Greater New Orleans Foundation	
	2021	2020	2021	2020
Cash and cash equivalents	9.90%	6.30%	18.40%	16.10%
Fixed income securities	50.90%	41.60%	51.80%	57.80%
Equities	30.70%	34.20%	29.80%	26.10%
Real estate and mortgage receivables	0.00%	8.50%	0.00%	0.00%
Hedge funds	8.50%	9.40%	0.00%	0.00%
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 4 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for specific purpose, designated for subsequent periods, or held in perpetuity. A portion of the net assets with donor restrictions include the present value of a lease agreement between the Agency and the Women's Division of the General Board of Global Ministries of the United Methodist Church (the owner of certain land and buildings occupied by the Organization). 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, \$855,844 and \$960,397 as of June 30, 2021 and 2020 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, 2021 and 2020. The annual lease rental for the years ended June 30, 2021 and 2020 is:

	<u>2021</u>	<u>2020</u>
Use of Facilities	\$ 104,553	\$ 98,479
Contributed Interest	<u>54,780</u>	<u>60,854</u>
Total Annual Lease Rental	<u>\$ 159,333</u>	<u>\$ 159,333</u>

In connection with this lease, the Organization has a sublease with another nonprofit organization in which it receives \$42,000 per year for office space. This amount has been included as "other income" on the Statement of Activities.

Also included in net assets with donor restrictions as of June 30, 2021 and 2020 is \$35,816 in assets restricted for the purpose of construction of a girl's dormitory. Net assets with donor restrictions as of June 30, 2021 and 2020 are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose		
Present value of lease agreement	\$ 855,844	\$ 960,397
Construction of girls' dormitory	35,816	35,816
Subject to the Organization's spending policy		
Funds held in perpetuity	<u>28,275</u>	<u>28,275</u>
Totals	<u>\$ 919,935</u>	<u>\$1,024,488</u>

Note 5 – Governing Board Designations

Governing Board designations of net assets consist of \$168,927 designated for plant expansion as of June 30, 2021 and 2020.

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30, 2021 and 2020:

	<u>June 30,</u> <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2021</u>
Land improvements	\$ 82,046	\$ -	\$ -	\$ 82,046
Buildings	51,619	-	-	51,619
Leasehold improvements	1,296,967	-	-	1,296,967
Machinery and equipment	187,338	18,588	-	205,926
Furniture and fixtures	88,102	36,167	-	124,269
Autos and trucks	94,260	20,156	-	114,416
	1,800,332	74,911	-	1,875,243
Accumulated depreciation	<u>(1,146,857)</u>	<u>(64,859)</u>	<u>-</u>	<u>(1,211,716)</u>
Property and equipment, net	<u>\$ 653,475</u>	<u>\$10,052</u>	<u>\$ -</u>	<u>\$ 663,527</u>

Depreciation expense totaled \$64,859 and \$42,203 for the years ended June 30, 2021 and 2020, respectively.

Note 7 – Note Payable

The Organization has a promissory note payable to the United Methodist Foundation with a balance of \$12,491 and \$16,882 as of June 30, 2021 and 2020, respectively. The note is secured with funds on deposit in the Operating and Restrictive Trusts, and is 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%, or 3% as of June 30, 2021. 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, 2021, the Organization made average monthly payments of \$400 on the note with the payment in excess of the required installment being applied to the principal balance. Accordingly, the principal balance of the note will become fully paid by August 1, 2024 under the existing terms of the note.

Future principal payments to be made on the note as of June 30, 2021 are as follows:

<u>June 30,</u>	<u>Amount</u>
2022	\$ 4,120
2023	4,245
2024	4,126
Total	<u>\$ 12,491</u>

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 7 – Note Payable (Cont.)

The Organization recorded interest expense of \$408 and \$630 for the years ended June 30, 2021 and 2020, respectively.

Note 8 – Lease Commitments

On May 1, 2019, the Organization entered into a five-year operating lease agreement for office equipment. The lease terms provide for monthly rental payments of \$220. Future minimum lease payments under the outstanding leases as of June 30, 2021 are as follows:

<u>June 30,</u>	<u>Amount</u>
2022	\$ 2,640
2023	2,640
2024	2,640
Total	<u>\$ 7,920</u>

Note 9 – Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2021 and 2020.

Note 10 – Concentrations of Risk

MacDonell United Methodist Children's Services, Inc. maintains several bank accounts. Its accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2021, cash in excess of the federally insured limits was \$210,600. Management does not believe the Organization has significant risk related to its bank deposits.

Note 11 – Liquidity and Availability

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

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 11 – Liquidity and Availability (Cont.)

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

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

The following table represents financial assets available for general expenditures within one year as of June 30, 2021:

Financial assets	
Cash	\$ 636,319
Investments	481,734
Accounts receivables, state agencies	67,192
Total financial assets	<u>1,185,245</u>
Less amounts unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions	
Purpose restricted net assets	(35,816)
Funds held in perpetuity	<u>(28,275)</u>
Financial assets available to meet cash needs for general expenditures within one year before board designations	1,121,154
Less board designations	<u>(168,927)</u>
Financial assets available to meet cash needs for general expenditures within one year after board designations	<u>\$ 952,227</u>

Note 12 – Risks and Uncertainties

The Organization receives monies for reimbursement of daily child-care costs. The child-care reimbursement consists of state funding received through the Louisiana Department of Social Services under Title IV B and E (Administration for Children, Youth, and Families - Child Welfare Research and Demonstration). These payments are considered payments for services as opposed to a grant award. The total amounts received, net of clothing and personal needs allowances, for the years ended June 30, 2021 and 2020 were \$1,039,260 and \$717,513, respectively.

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 12 – Risks and Uncertainties (Cont.)

Reimbursements are determined based on a child-care day rate. Beginning November 1, 2017, Level 1 and Level 2 care will be provided at a day rate of \$148.44 and \$196.68, respectively. The allowances for clothing and personal needs for ages 12 and under are \$2.46 and \$0.99, respectively, and ages 13 and over are \$2.68 and \$1.56, respectively, per child-care day. The Organization maintains records on a daily basis for each child in attendance at the Organization. The child-care days were 6,441 and 4,045, for the years ended June 30, 2021 and 2020 respectively. If significant budget cuts are made at the federal and/or state level, the amount of support the Organization receives could be reduced significantly and have an adverse impact on its operations.

Note 13 – Paycheck Protection Program

As part of the CARES Act passed by Congress for purposes of economic stimulus in light of implications from the COVID-19 crisis, Paycheck Protection Program loans were made available to small businesses as incentive to retain employees. The Organization borrowed \$112,800 under this loan program during the year ended June 30, 2020. The CARES Act also provided for conditions under which the Organization applied, and qualified for, forgiveness. The debt was forgiven on May 17, 2021, and the \$112,800 in loan forgiveness has been included as "other income" on the Statement of Activities.

Note 14 – COVID-19 "Coronavirus"

On January 30, 2020, the World Health Organization declared the COVID-19 "Coronavirus" outbreak a public health emergency. The virus rapidly spread from China to regions across the globe, eventually reaching the United States of America. The United States' governing bodies implemented drastic measures in an effort to slow the spread of the virus, including mandatory quarantining of certain areas of the population. Such efforts have had a negative impact on the Organization, in that the annual gala, most fundraisers and other events were not able to be held.

Note 15 – Subsequent Events

MacDonell United Methodist Children's Services, Inc. has evaluated subsequent events through January 17, 2022, the date which the financial statements were available to be issued, and it was determined that the events noted below occurred which require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

On August 16, 2021, the land and buildings currently leased by MacDonell United Methodist Children's Services, Inc. were donated to the Organization by the lessor.

MacDonell United Methodist Children's Services, Inc.

Notes to Financial Statements

Year Ended June 30, 2021

Note 15 – Subsequent Events (Cont.)

On August 29, 2021, Hurricane Ida made landfall near Port Fourchon, Louisiana as a Category 4 storm, with winds in excess of 150 miles per hour. The natural disaster caused significant wind-related and water-related damage to homes and businesses throughout Terrebonne Parish, disrupting the Organization's operations.

Note 16 – Late Filing of Audit Report

As discussed in Note 15, Hurricane Ida disrupted business operations throughout Terrebonne Parish. While MacDonell United Methodist Children's Services, Inc. did not suffer any material financial losses due to the storm, the administrative offices were closed from August 29, 2021 to September 14, 2021, causing the audit report not to be completed by the statutory due date of December 31, 2021 as prescribed by R.S. 24:513. An emergency extension request was granted by the Louisiana Legislative Auditor.

SUPPLEMENTAL INFORMATION

MacDonell United Methodist Children's Services, Inc.
 Schedule of Compensation, Benefits, and
 Other Payments to the Executive Director
 Year Ended June 30, 2021

Agency Head Name: Kevin Champagne, Executive Director

Description	Amount
Salary	\$ 77,000
Benefits - insurance	4,467
Benefits - retirement	2,286
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	325
Registration fees	700
Conference travel	-
Continuing professional education fees	-
Housing*	16,380
Unvouchered expenses	-
Meals	-
	<u>\$ 101,158</u>

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

**Martin
and
Pellegrin**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of MacDonell United Methodist Children's Services, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Martin and Pelgri".

Houma, Louisiana
January 17, 2022

MacDonell United Methodist Children's Services, Inc.

Schedule of Findings and Responses

Year Ended June 30, 2021

Section I – Summary of Auditor's Results

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

Section II – Financial Statement Findings

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

Section III – Internal Control Findings

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

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

This section is not applicable.

REPORTS BY MANAGEMENT

MacDonell United Methodist Children's Services, Inc.
Schedule of Prior Findings
and Resolution Matters
Year Ended June 30, 2021

Note: All prior findings relate to the June 30, 2020 audit engagement.

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

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

MacDonell United Methodist Children's Services, Inc.
Management's Corrective Action
Plan for Current Year Findings
Year Ended June 30, 2021

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

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.