

Financial Report

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

Houma, Louisiana

For the years ended June 30, 2013 and 2012

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MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2013 and 2012

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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, 2013 and 2012 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2013 and 2012, 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 a report dated September 18, 2013 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 and should be considered in assessing the results of our audit.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
September 18, 2013.

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

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 238,414	\$ 185,685
Operating trust - investments	3,457	3,428
Accounts receivable, state agencies	25,686	57,371
Prepaid insurance	20,901	24,233
Assets restricted for future years' use of facilities	1,540,589	76,607
Endowment trust - investments	90,903	109,122
Restricted trust - investments	111,206	103,487
Property and equipment, net	360,788	401,181
Deposits	572	572
	<u> </u>	<u> </u>
Totals	<u>\$ 2,392,516</u>	<u>\$ 961,686</u>
Liabilities		
Accounts payable	\$ 11,771	\$ 18,508
Accrued salaries and compensated absences	42,950	47,463
Payroll taxes payable	960	1,587
Other liabilities	4,811	4,201
Notes payable	43,822	47,251
	<u> </u>	<u> </u>
Total liabilities	<u>104,314</u>	<u>119,010</u>
Net Assets		
Unrestricted:		
Designated for subsequent years' expenses and plant expansion	180,125	216,584
Undesignated	539,209	521,210
	<u> </u>	<u> </u>
Total unrestricted	719,334	737,794
Temporarily restricted	1,540,593	76,607
Permanently restricted	28,275	28,275
	<u> </u>	<u> </u>
Total net assets	<u>2,288,202</u>	<u>842,676</u>
	<u> </u>	<u> </u>
Totals	<u>\$ 2,392,516</u>	<u>\$ 961,686</u>

See notes to financial statements.

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

For The Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Support:		
State of Louisiana - Department of Social Services	\$ 440,629	\$ 930,417
General Board of Global Ministries of the United Methodist Church	66,944	40,360
Churches and other affiliates	15,094	14,189
Contributions of individuals and other non-church affiliations	140,098	124,084
In-kind contributions, insurance	25,000	21,746
In-kind contributions	18,553	14,854
Special events	32,429	46,879
	<u>738,747</u>	<u>1,192,529</u>
Total unrestricted support		
Revenue:		
Interest income, bank accounts	151	201
Investment return (loss)	15,329	(9,138)
Other income	10,822	11,503
	<u>26,302</u>	<u>2,566</u>
Total unrestricted revenue		
Net assets released from restrictions:		
Use of facilities	100,947	144,475
Earnings of the restricted trust	1,200	1,205
	<u>102,147</u>	<u>145,680</u>
Total net assets released from restrictions		
Total unrestricted support, revenue and net assets released from restrictions (carry forward)	<u>867,196</u>	<u>1,340,775</u>

**Exhibit B
(Continued)**

	2013	2012
Total unrestricted support, revenue and net assets released from restrictions (brought forward)	867,196	1,340,775
Expenses		
Program Services:		
Plant operations and maintenance	123,055	155,498
Costs related to capital assets	163,284	227,676
Dietary	28,553	101,634
Laundry and linen	668	1,506
Housekeeping supplies	130	17,870
Personal client needs	760	2,171
Medical and nursing	1,478	38,350
Therapeutic and training	204,074	446,105
Recreational	31,334	39,328
Educational	208	623
Total program services	553,544	1,030,761
Support Services:		
Administrative and general	313,523	415,489
Fund raising	18,589	39,456
Total support services	332,112	454,945
Total expenses	885,656	1,485,706
Decrease in Unrestricted Net Assets	(18,460)	(144,931)
Temporarily Restricted Net Assets		
Present value of a donated lease for the use of facilities	1,564,933	-
Net assets released from restrictions for use of facilities	(100,947)	(144,475)
Increase (Decrease) in Temporarily Restricted Net Assets	1,463,986	(144,475)
Permanently Restricted Net Assets		
Interest and dividends earned in restricted trust	1,200	1,205
Restricted trust earnings released from restrictions	(1,200)	(1,205)
Increase in Permanently Restricted Net Assets	-	-
Increase (Decrease) in Net Assets	1,445,526	(289,406)
Net Assets		
Beginning of year	842,676	1,132,082
End of year	\$ 2,288,202	\$ 842,676

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2013

	Program Services							
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 51,121	\$ -	\$ 2,787	\$ -	\$ 80	\$ -	\$ 96	\$ 188,076
Payroll taxes	3,895	-	217	-	21	-	1,116	15,529
Employee benefits	458	-	320	-	-	-	-	469
Total salaries and related expenses	55,474	-	3,324	-	101	-	1,212	204,074
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Building and grounds maintenance	26,167	-	-	-	-	-	-	-
Building and grounds repair	4,159	-	-	-	-	-	-	-
Depreciation:								
Building	-	4,586	-	-	-	-	-	-
Furniture and equipment	-	24,365	-	-	-	-	-	-
Leasehold improvements	-	14,435	-	-	-	-	-	-
Disposal of assets	-	295	-	-	-	-	-	-
Donated use of facilities	-	119,603	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	24,571	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
License	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	266	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	760	-	-
Postage	-	-	-	-	-	-	-	-
Printing/photo	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	4,684	-	-	-	-	-	-	-
Supplies	-	-	658	668	29	-	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	32,571	-	-	-	-	-	-	-
Totals	\$ 123,055	\$ 163,284	\$ 28,553	\$ 668	\$ 130	\$ 760	\$ 1,478	\$ 204,074

See notes to financial statements.

Program Services			Support Services			
Recreational	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 28,619	\$ -	\$ 270,779	\$ 174,897	\$ 7,093	\$ 181,990	\$ 452,769
2,228	-	23,006	11,995	-	11,995	35,001
-	-	1,247	-	-	-	1,247
30,847	-	295,032	186,892	7,093	193,985	489,017
487	-	487	-	-	-	487
-	-	-	6,443	-	6,443	6,443
-	-	26,167	-	-	-	26,167
-	-	4,159	-	-	-	4,159
-	-	4,586	-	-	-	4,586
-	-	24,365	-	-	-	24,365
-	-	14,435	-	-	-	14,435
-	-	295	-	-	-	295
-	-	119,603	-	-	-	119,603
-	-	-	1,222	-	1,222	1,222
-	-	-	-	600	600	600
-	-	24,571	-	-	-	24,571
-	-	-	-	10,853	10,853	10,853
-	-	-	78,924	-	78,924	78,924
-	-	-	1,268	-	1,268	1,268
-	-	-	600	-	600	600
-	-	266	-	-	-	266
-	-	-	244	-	244	244
-	-	-	6,002	43	6,045	6,045
-	-	-	2,134	-	2,134	2,134
-	-	760	-	-	-	760
-	-	-	1,306	-	1,306	1,306
-	-	-	856	-	856	856
-	-	-	18,569	-	18,569	18,569
-	-	4,684	-	-	-	4,684
-	208	1,563	-	-	-	1,563
-	-	-	7,336	-	7,336	7,336
-	-	-	1,727	-	1,727	1,727
-	-	32,571	-	-	-	32,571
<u>\$ 31,334</u>	<u>\$ 208</u>	<u>\$ 553,544</u>	<u>\$ 313,523</u>	<u>\$ 18,589</u>	<u>\$ 332,112</u>	<u>\$ 885,656</u>

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2012

	Program Services						
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing
Salaries	\$ 50,960	\$ -	\$ 26,276	\$ -	\$ 14,475	\$ -	\$ 32,602
Payroll taxes	3,652	-	1,695	-	1,121	-	2,528
Employee benefits	7,302	-	6,043	-	-	-	1,257
Total salaries and related expenses	61,914	-	34,014	-	15,596	-	36,387
Activities and supplies	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-
Building and grounds maintenance	26,272	-	-	-	-	-	-
Building and grounds repair	6,928	-	-	-	-	-	-
Clothing	-	-	-	-	-	63	-
Decorations - Vol. Gala	-	-	-	-	-	-	-
Depreciation:							
Building	-	4,586	-	-	-	-	-
Furniture and equipment	-	38,779	-	-	-	-	-
Leasehold improvements	-	24,978	-	-	-	-	-
Donated use of facilities	-	159,333	-	-	-	-	-
Dues	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-
Food and beverage	-	-	65,017	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-
License	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	1,963
Miscellaneous	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	1,409	-
Postage	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-
Printing/photo	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	10,547	-	-	-	-	-	-
Supplies	34	-	2,603	1,506	2,274	699	-
Telephone	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-
Utilities	49,803	-	-	-	-	-	-
Totals	\$ 155,498	\$ 227,676	\$ 101,634	\$ 1,506	\$ 17,870	\$ 2,171	\$ 38,350

See notes to financial statements.

Program Services				Support Services			
Therapeutic and Training	Recreational	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 403,913	\$ 30,045	\$ -	\$ 558,271	\$ 229,209	\$ 19,865	\$ 249,074	\$ 807,345
30,665	2,267	-	41,928	17,740	1,638	19,378	61,306
11,527	1,120	-	27,249	9,898	897	10,795	38,044
446,105	33,432	-	627,448	256,847	22,400	279,247	906,695
-	5,820	-	5,820	-	-	-	5,820
-	-	-	-	8,783	-	8,783	8,783
-	-	-	26,272	-	-	-	26,272
-	-	-	6,928	-	-	-	6,928
-	-	-	63	-	-	-	63
-	-	-	-	-	1,362	1,362	1,362
-	-	-	4,586	-	-	-	4,586
-	-	-	38,779	-	-	-	38,779
-	-	-	24,978	-	-	-	24,978
-	-	-	159,333	-	-	-	159,333
-	-	-	-	3,079	-	3,079	3,079
-	-	-	-	-	600	600	600
-	-	-	65,017	-	-	-	65,017
-	-	-	-	-	12,770	12,770	12,770
-	-	-	-	91,821	-	91,821	91,821
-	-	-	-	-	776	776	776
-	-	-	-	1,558	-	1,558	1,558
-	-	-	-	600	-	600	600
-	-	-	1,963	-	-	-	1,963
-	-	-	-	680	-	680	680
-	-	-	-	11,812	416	12,228	12,228
-	-	-	-	4,604	-	4,604	4,604
-	-	-	1,409	-	-	-	1,409
-	-	-	-	2,355	-	2,355	2,355
-	-	-	-	-	205	205	205
-	-	-	-	1,870	-	1,870	1,870
-	-	-	-	-	867	867	867
-	-	-	-	18,072	-	18,072	18,072
-	-	-	10,547	-	-	-	10,547
-	76	623	7,815	425	-	425	8,240
-	-	-	-	8,654	-	8,654	8,654
-	-	-	-	4,329	60	4,389	4,389
-	-	-	49,803	-	-	-	49,803
<u>\$ 446,105</u>	<u>\$ 39,328</u>	<u>\$ 623</u>	<u>\$ 1,030,761</u>	<u>\$ 415,489</u>	<u>\$ 39,456</u>	<u>\$ 454,945</u>	<u>\$ 1,485,706</u>

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

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ 1,445,526	\$ (289,406)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Non-cash lease expense	(1,463,986)	144,475
Depreciation	43,381	68,343
Loss from disposition of equipment	295	-
(Gain) loss on sale of investments	(12,420)	31
Unrealized losses on investments	1,582	16,241
Decrease (increase) in assets:		
Receivables	31,685	38,522
Prepaid insurance	3,332	(2,530)
Increase (decrease) in liabilities:		
Accounts payable	(6,737)	(11,387)
Accrued salaries and vacation	(4,513)	(9,155)
Payroll taxes payable	(627)	(316)
Other liabilities	610	1,711
Total adjustments	<u>(1,407,398)</u>	<u>245,935</u>
Net cash provided by (used in) operating activities	<u>38,128</u>	<u>(43,471)</u>
Cash Flows from Investing Activities		
Purchases of equipment	(3,288)	(41,893)
Purchases of investments held in trusts	(7,303)	(14,140)
Maturities of investments held in trust	<u>28,612</u>	<u>66,800</u>
Net cash provided by investing activities	<u>18,021</u>	<u>10,767</u>
Cash Flows from Financing Activities		
Principal payments of long-term debt	<u>(3,429)</u>	<u>(3,242)</u>
Net increase (decrease) in cash	52,720	(35,946)
Cash		
Beginning of year	<u>185,685</u>	<u>221,631</u>
End of year	<u>\$ 238,405</u>	<u>\$ 185,685</u>

See notes to financial statements.

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

June 30, 2013 and 2012

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 serves neglected children who need a group living experience. The Agency provides around-the-clock care, education, Christian nurture, study and treatment for deprived, dependent children in need of care outside their own homes. The Agency is licensed by the Louisiana State Department of Social Services for 36 residents at June 30, 2013 and 2012.

b) Financial Statement Presentation

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

c) Basis of Accounting

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

d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, exclusive of investments in the Operating, Endowment and Restricted Trusts. The Agency had no cash equivalents at June 30, 2013 and 2012.

f) Investments

Investments consist of assets held in an Operating Trust, an Endowment Trust and a Restricted Trust. All investments are stated at their fair market value in the statement of financial position.

The Operating and Restricted Trusts are included in investment pools administered by the United Methodist Foundation. The investment pools are operated using the "market value unit method". Under this method, each participant is assigned a number of units based on the relationship of the market value of all investments at the time of entry in the pool. Periodically, the pooled assets are valued. The new asset values are used to determine the number of units to be allocated to participants entering or withdrawing from the pools. Investment pool income, gains and losses are allocated based on the number of units held by each participant during the period. The Restrictive Trust includes but is not limited to restrictive net assets, as defined by ASC 958-210-20.

The Endowment Trust was established by the Agency's Board of Directors for the specific purpose of providing net assets to operate the Agency for the benefit of the children in residence. The trust is unrestricted and is governed by an Oversight Committee of three to five members. The trust is administered by a bank trust department. The investments consist of money market funds, fixed income mutual funds and equity mutual funds. The Endowment Trust is designated by the Board of Directors towards subsequent years' expenses and plant expansion should future funding shortfalls occur.

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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Bad Debts

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

i) Promises to Give/Contributions

Contributions are recognized when a donor makes an unconditional promise to give to the Agency. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recognized as assets and revenues.

As of June 30, 2013, the Agency received promises to give amounting to \$70,000 conditioned upon constructing a new dormitory for up to 12 girls. As of June 30, 2013 and 2012, the Agency included \$10,000 of architectural fees in construction in-progress for the construction of a new building and will recognize the conditional promises to give as revenue at the time dormitory construction commences.

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

j) Property and Equipment

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

Buildings	10 - 30 years
Leasehold improvements	10 - 25 years
Land improvements	11 - 20 years
Furniture and fixtures	7 - 8 years
Machinery and equipment	5 - 15 years
Autos and trucks	3 - 5 years

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property and Equipment (continued)

Additions and betterments of \$250 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts and gains or losses thereon are included in operations. Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$43,386 and \$68,343, respectively.

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. A property lease dated April 1, 2013 for the 177 months ending December 31, 2027 was donated to the agency in the fiscal year ending June 30, 2013. Estimated fair value of the use of property is determined by independent appraisal. The most recent independent appraisal of the use of the property is dated January 11, 1999. Absent donor stipulations regarding how long those donated assets must be maintained, the 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 materials because there is no objective basis available to measure the value of such 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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Compensated Absences (continued)

the program. Terminating employees will be paid for unused vacation leave and holiday time if leaving prior to their anniversary date. The total amount of accrued accumulated vacation leave and holiday time at June 30, 2013 and 2012 was \$34,550 and \$35,276, 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.

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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Income Taxes

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

Note 2 - INVESTMENTS

The fair values of investments totaled \$205,566 and \$216,037 at June 30, 2013 and 2012, respectively. The following schedule summarizes investment returns and their classification in the statement of activities for the years ended:

	June 30, 2013			June 30, 2012		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Dividends and interest income	\$ 4,490	\$ 1,200	\$ 5,690	\$ 7,134	\$ 1,205	\$ 8,339
Net realized and and unrealized gains (losses)	10,839	-	10,839	(16,272)	-	(16,272)
Total investment return (loss)	<u>\$ 15,329</u>	<u>\$ 1,200</u>	<u>\$ 16,529</u>	<u>\$ (9,138)</u>	<u>\$ 1,205</u>	<u>\$ (7,933)</u>

Note 3 - FAIR VALUE MEASUREMENT

FASB Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value. Fair value concepts are applied in recording investments. ASC 820 establishes a fair value hierarchy which has three levels based on the reliability of the inputs used to determine fair value. These levels include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability; such as quoted market prices for similar asset or liabilities; and Level 3 unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

Exhibit F
(Continued)

Note 3 - FAIR VALUE MEASUREMENT (Continued)

For the year ended June 30, 2013, investments in marketable securities are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. Assets at June 30, 2013 measured at fair value on a recurring basis are comprised of and determined as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Operating Trust	\$ 3,457	\$ -	\$ 3,457	\$ -
Endowment Trust:				
Money market	1,990	1,990	-	-
Mutual funds:				
JPMorgan Access Balanced Fund	88,913	88,913	-	-
Total endowment trust	90,903	90,903	-	-
Restricted Trust	111,206	-	111,206	-
Totals	<u>\$ 205,566</u>	<u>\$ 90,903</u>	<u>\$ 114,663</u>	<u>\$ -</u>

Assets at June 30, 2012 measured at fair value on a recurring basis are comprised of and determined as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level3)</u>
Operating Trust	\$ 3,428	\$ -	\$ 3,428	\$ -
Endowment Trust:				
Money market	2,858	2,858	-	-
Mutual funds:				
JPMorgan Access Balanced Fund	106,264	106,264	-	-
Total endowment trust	109,122	109,122	-	-
Restricted Trust	103,487	-	103,487	-
Totals	<u>\$ 216,037</u>	<u>\$ 109,122</u>	<u>\$ 106,915</u>	<u>\$ -</u>

Note 3 - FAIR VALUE MEASUREMENT (Continued)

The investment pools of the Operating and Restricted Trusts have been merged by the bank trustee. The administrator, the United Methodist Foundation, maintains separate accounting for the Operating and Restricted Trusts. The Operating Trust invests in high quality bonds and loans to Methodist Churches in the Louisiana Conference while the Restrictive Trust seeks to produce growth and income by investing in equities and short to intermediate-term bonds. The merged investment pool at December 31, 2013, the latest trust report date, consisted of the following:

Cash and cash equivalents	1.3%
Fixed income securities	28.3%
Equities	54.0%
Real estate and mortgage receivables	8.2%
Hedge funds	4.5%
Natural resources	<u>3.7%</u>
 Total	 <u>100.0%</u>

Note 4 -RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets include the present value of a lease agreement between the Agency and the Women's Division of the General Board of Global Ministries of the United Methodist Church, \$1,540,593 and \$76,607 at June 30, 2013 and 2012, 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 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% and 8% was used to determine the present value for the years ended June 30, 2013 and 2012, respectively. The annual lease rental for the years ended June 30, 2013 and 2012 was \$119,603 and \$159,333, respectively.

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

Note 5 - PROPERTY AND EQUIPMENT

At June 30, 2013 and 2012 property and equipment consist of the following:

	2013	2012
Land improvements	\$ 68,223	\$ 68,223
Buildings	102,613	102,613
Leasehold improvements	859,081	858,714
Machinery and equipment	189,986	197,638
Furniture and fixtures	78,344	81,550
Autos and trucks	58,134	74,753
Construction in progress	10,000	10,000
Total property and equipment	1,366,381	1,393,491
Less accumulated depreciation	1,005,593	992,310
Net property and equipment	\$ 360,788	\$ 401,181

Construction in progress at June 30, 2013 includes architectural fees for a new dormitory.

Note 6 - NOTES PAYABLE

The Agency has a promissory note to the United Methodist Foundation for the original amount of \$53,000 secured with funds on deposit, approximately \$111,000 as of June 30, 2013. The note is payable in 180 monthly installments of \$372 beginning September 1, 2010 with the final installment being due and payable on 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, 2013. 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. The interest income for the Agency's Operating Trust investments is also based on the Fixed Income Fund Rate.

For the year ended June 30, 2013, the Agency made monthly payments of \$400 on the note with the payment in excess of the required installment being applied to the principal balance. If the Agency continues to make such excess payments, the principal balance of the note will become fully paid by April 1, 2025.

Note 6 - NOTES PAYABLE (Continued)

As of June 30, 2013, the Agency's notes payable consisted of the following:

Future scheduled maturities of notes payable are as follows:

<u>Years ending June 30:</u>	<u>Amount</u>
2014	\$ 3,087
2015	3,189
2016	3,295
2017	3,403
2018	3,516
2019 to 2023	19,396
2024 to 2025	<u>7,936</u>
	<u>\$ 43,822</u>

The Agency recorded interest expense of \$1,371 for the year ended June 30, 2013.

Note 7 - LEASE COMMITMENTS

On May 1, 2013 the Agency entered into a five year operating lease agreement for office equipment. The lease terms provide for monthly rental payments of \$282. Rental expense for operating leases for the year ended June 30, 2013 and 2012 totaled \$2,854 and \$2,749, respectively.

Future minimum lease payments under the outstanding lease at June 30, 2013 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2014	\$ 3,386
2015	3,386
2016	3,386
2017	3,386
2018	<u>2,510</u>
Total	<u>\$ 16,054</u>

Note 8 - LINE OF CREDIT

The Agency has a \$50,000 revolving line of credit from Capital One Bank to help finance its operating needs. Interest is payable on outstanding balances at an interest rate of the "Wall Street Journal" Prime interest rate, 3.25% at June 30, 2013. Capital One Bank retains the right to terminate the line immediately and without notice upon failure to pay accrued interest. No borrowings occurred during the year ended June 30, 2013, and none have occurred through the date of the independent auditor's report. At June 30, 2013, \$50,000 was available to the Agency for borrowings under the line of credit.

Note 9 - RETIREMENT PLAN

A defined contribution plan is provided on a voluntary basis to the employees of the Agency by the General Board of Pensions of the United Methodist Church. Under this plan, participating employees can contribute a minimum of two percent of their salaries to the retirement fund. From July 1, 2011 to June 30, 2012 the Agency contributed three percent of the salaries of such employees. The Agency's contributions to the plan for the year ended June 30, 2012 were \$18,436. The Agency did not contribute to the Plan during the year ended June 30, 2013.

Note 10 - RISK MANAGEMENT

The Agency is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2013 and 2012.

Note 11 - CONCENTRATION OF RISK

MacDonell United Methodist Children's Services, Inc. maintains several bank accounts at Whitney National Bank and Capital One Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at these institutions did not exceed Federally insured limits for the years ended June 30, 2013 and 2012.

Note 12 - ECONOMIC DEPENDENCY

The Agency receives monies for reimbursement of daily child-care costs. The child care reimbursement consists of state funding received through the Louisiana Department of Social Services under Title IV B and E (Administration for Children, Youth, and Families - Child Welfare Research and Demonstration). These payments are considered payments for services as opposed to a grant award. The total amounts received, net of clothing and personal needs allowances, for the years ended June 30, 2013 and 2012 were \$440,629 and \$930,417, respectively.

Reimbursements are determined based on a child-care day rate of \$135.95. The allowances for clothing and personal needs included in the rate amounted \$1.10 and \$0.65 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, 2013 and 2012 were 3,461 and 6,924, respectively. If significant budget cuts are made at the federal and/or state level, the amount of support the Agency receives could be reduced significantly and have an adverse impact on its operations.

Note 13 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through September 18, 2013, 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, 2013 and 2012, 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, 2013 and 2012 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, 2013 and 2012, 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, 2011, and the related statement of activities for the year ended June 30, 2011 (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, 2011 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
September 18, 2013.

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

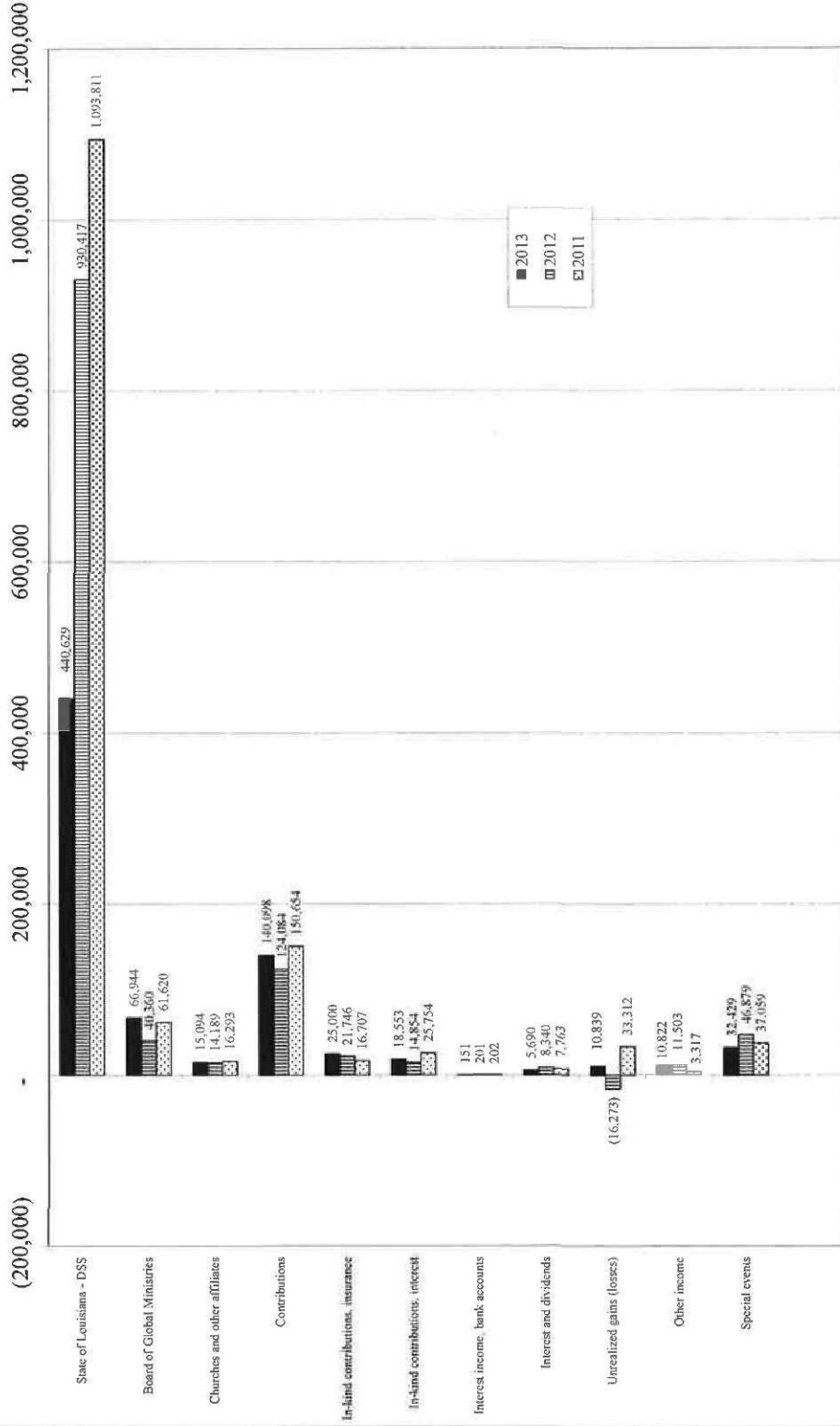
For the years ended June 30, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues			
State of Louisiana - DSS	\$ 440,629	\$ 930,417	\$ 1,093,811
Board of Global Ministries	66,944	40,360	61,620
Churches and other affiliates	15,094	14,189	16,293
Contributions	140,098	124,084	150,654
In-kind contributions, insurance	25,000	21,746	16,707
In-kind contributions, interest	18,553	14,854	25,754
Interest income, bank accounts	151	201	202
Investment income, interest and dividends	5,690	8,340	7,763
Investment income, unrealized gains (losses)	10,839	(16,273)	33,312
Other income	10,822	11,503	3,317
Special events	32,429	46,879	37,059
	<u>766,249</u>	<u>1,196,300</u>	<u>1,446,492</u>
Total revenues	<u>\$ 766,249</u>	<u>\$ 1,196,300</u>	<u>\$ 1,446,492</u>
Expenses			
Salaries	\$ 452,769	\$ 807,345	\$ 823,186
Payroll taxes	35,001	61,306	64,252
Employee benefits	1,247	38,044	41,172
Building and grounds maintenance	26,167	26,272	28,357
Contract services	-	-	4,950
Depreciation	43,386	68,343	41,540
Donated use of facilities	119,603	159,333	159,333
Food and beverage	24,571	65,017	70,018
Insurance	78,924	91,821	88,736
Other expenses	58,401	93,598	95,343
Supplies	1,563	8,240	11,597
Utilities	32,571	49,803	57,102
Volunteer Gala	11,453	16,580	11,762
	<u>885,656</u>	<u>1,485,702</u>	<u>1,497,348</u>
Total expenses	<u>\$ 885,656</u>	<u>\$ 1,485,702</u>	<u>\$ 1,497,348</u>

REVENUES

MacDonell United Methodist Children's Services, Inc.

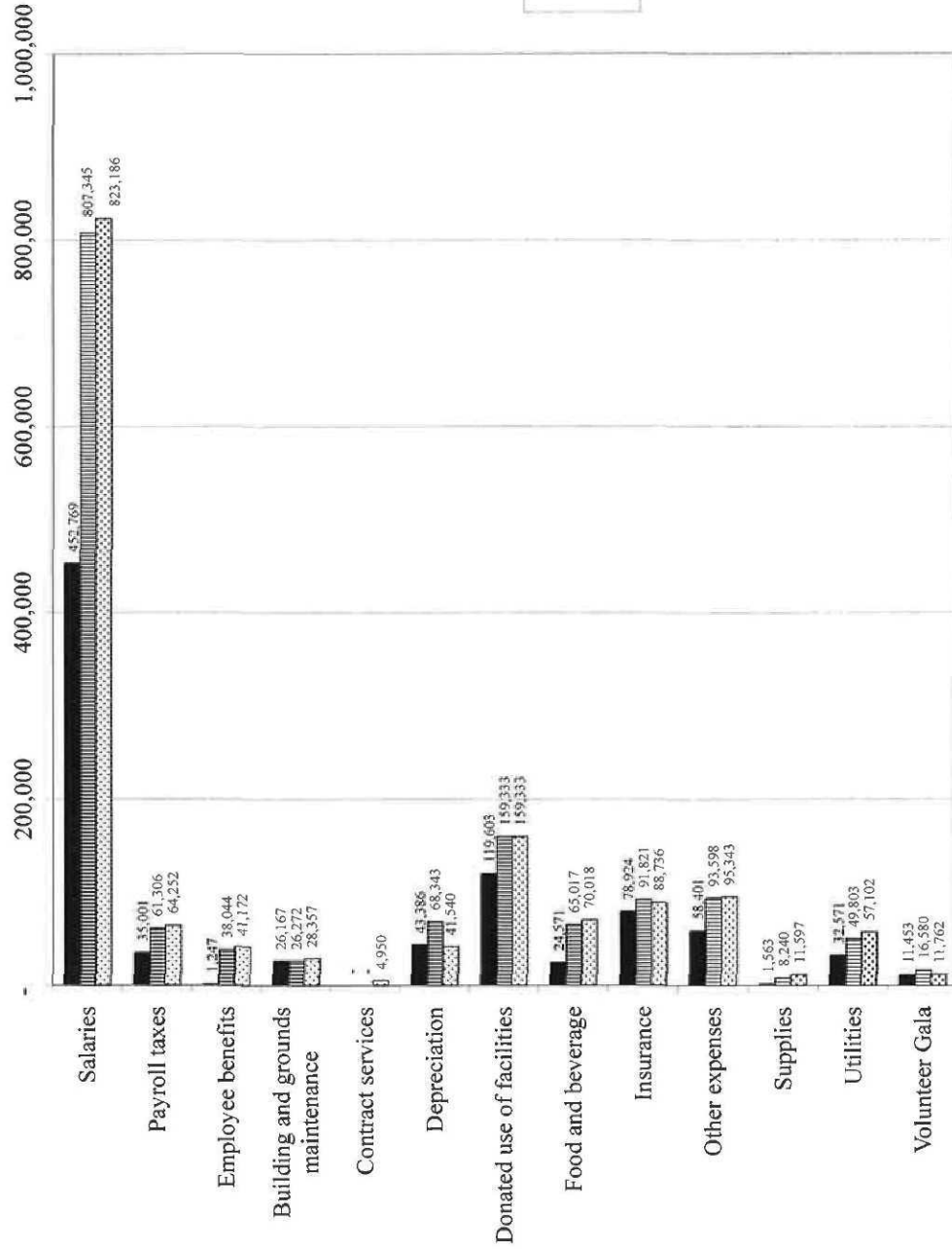
For the years ended June 30, 2013, 2012 and 2011



EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2013, 2012, and 2011



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), which comprise the statement of financial position as of June 30, 2013, 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 September 18, 2013.

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.

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
September 18, 2013.

SCHEDULE OF FINDINGS AND RESPONSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2013

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

- Noncompliance material to financial statements noted? yes no

b) Federal Awards

MacDonell United Methodist Children's Services, Inc. did not expend federal awards in excess of \$500,000 during the year ended June 30, 2013 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II Financial Statement Findings

No financial statement findings were noted during the audit of the financial statements for the year ended June 30, 2013.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2013

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, 2012.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2012.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2012.

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 \$500,000 during the year ended June 30, 2012 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2012.

MANAGEMENT'S CORRECTIVE ACTION PLAN

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2013

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, 2013.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2013.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2013.

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 \$500,000 during the year ended June 30, 2013 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2013.