

THE METHODIST HOME FOR CHILDREN

FINANCIAL STATEMENTS

June 30, 2007 and 2006

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

Release Date 4/16/08

THE METHODIST HOME FOR CHILDREN

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WEGMANN DAZET & COMPANY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Methodist Home for Children

We have audited the accompanying statements of financial position of The Methodist Home for Children as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of The Methodist Home for Children's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Methodist Home for Children as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2007 on our consideration of The Methodist Home for Children'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* and should be read in conjunction with this report in considering the results of our audits.

December 11, 2007

Wegmann Dazet & Company

THE METHODIST HOME FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Cash	\$ 69,324	\$ 24,071
Accounts receivable	161,646	203,739
Prepaid expenses	46,625	72,468
Insurance receivable	-	158,708
Investments	135,473	24,222
Total current assets	<u>413,068</u>	<u>483,208</u>
Property and equipment, at cost less accumulated depreciation	<u>169,141</u>	<u>210,685</u>
Total assets	<u>\$ 582,209</u>	<u>\$ 693,893</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 94,085	\$ 84,215
Accrued expenses	209,793	213,785
Total current liabilities	<u>303,878</u>	<u>298,000</u>
Total liabilities	<u>303,878</u>	<u>298,000</u>
NET ASSETS		
Net assets - unrestricted	<u>278,331</u>	<u>395,893</u>
Total liabilities and net assets	<u>\$ 582,209</u>	<u>\$ 693,893</u>

See accompanying Notes to Financial Statements.

THE METHODIST HOME FOR CHILDREN
STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2007 and 2006

	2007	2006
Unrestricted support and revenues		
Donations, grants, and bequests	\$ 254,051	\$ 366,723
Investment income	4,086	882
Charitable trust income	23,289	16,205
Gain on disposal of assets	13,000	-
Other income	91,861	173,716
Total unrestricted support and revenues	<u>386,287</u>	<u>557,526</u>
Fees from governmental agencies		
Severe intervention program	595,286	612,400
Moderate intervention program	546,224	611,855
Therapeutic foster care program	929,144	1,196,031
Private agency foster care program	11,067	24,637
Total fees from governmental agencies	<u>2,081,721</u>	<u>2,444,923</u>
Total unrestricted support, revenues and fees	<u>2,468,008</u>	<u>3,002,449</u>
Expenses		
Severe intervention program	657,344	731,257
Moderate intervention program	850,796	796,156
Therapeutic foster care program	789,506	1,021,137
Private agency foster care program	20,846	41,535
Fund raising and development	54,453	33,365
Administrative and general	212,625	280,488
Total expenses	<u>2,585,570</u>	<u>2,903,938</u>
Change in net assets	<u>\$ (117,562)</u>	<u>\$ 98,511</u>
Net assets		
Net assets at beginning of year	\$ 395,893	\$ 297,382
Change in net assets	<u>(117,562)</u>	<u>98,511</u>
Net assets at end of year	<u>\$ 278,331</u>	<u>\$ 395,893</u>

See accompanying Notes to Financial Statements.

THE METHODIST HOME FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2007

	Severe Intervention	Moderate Intervention	Therapeutic Foster Care	Private Agency Foster Care	Fund Raising & Development	Administrative & General	Total
Allowances	\$ 2,257	\$ 3,386	\$ -	\$ -	\$ -	\$ -	\$ 5,643
Bad debts	12,855	12,855	3,428	-	-	4,285	33,423
Birthday gifts	272	408	-	-	-	-	680
Clothing and uniforms	3,404	5,106	-	-	-	-	8,510
Contracts- outside services	4,520	6,780	-	-	5,279	-	16,579
Depreciation	15,978	15,978	4,261	-	-	5,326	41,543
Dues	1,829	1,829	488	-	-	610	4,756
Employee benefits	21,024	25,088	6,945	100	-	4,299	57,456
FEMA write-off	27,623	27,623	7,366	-	-	9,208	71,820
Food	28,510	42,765	-	-	-	-	71,275
Foster care parent payments	-	-	575,638	16,447	-	-	592,085
Housekeeping supplies	1,985	2,977	-	-	-	-	4,962
Insurance	56,343	56,343	15,025	-	-	18,781	146,492
Licenses	62	62	16	-	-	21	161
Linen and bedding	330	495	-	-	-	-	825
Medical services and supplies	7,466	11,200	-	-	-	-	18,666
Office supplies	4,492	4,492	1,198	-	-	1,497	11,679
Payroll taxes	27,136	36,752	8,765	220	-	12,937	85,810
Personal care	960	1,441	-	-	-	-	2,401
Postage	-	-	-	-	5,870	-	5,870
Printing and marketing	-	-	-	-	43,304	-	43,304
Professional services	7,608	7,608	2,029	-	-	2,536	19,781
Repairs	31,398	46,874	119	-	-	149	78,540
Repairs - building	8,646	12,969	-	-	-	-	21,615
Salaries	327,827	455,112	136,744	3,669	-	136,529	1,059,881
Security	1,122	1,674	686	19	-	7	3,508
Special event	7,637	7,637	2,037	-	-	2,608	19,919
Summer activity & recreation	2,250	3,374	-	-	-	-	5,624
Supplies	2,288	3,431	-	-	-	-	5,719
Telephone	5,994	5,994	3,397	51	-	1,998	17,434
Therapeutic & training supplies	162	244	-	-	-	-	406
Training	1,880	2,276	290	-	-	363	4,809
Travel and seminar	8,078	8,078	2,253	3	-	2,693	21,105
Utilities	26,335	26,335	7,023	-	-	8,778	68,471
Vehicles	9,073	13,610	11,798	337	-	-	34,818
Totals	\$ 657,344	\$ 850,796	\$ 789,506	\$ 20,846	\$ 54,453	\$ 212,625	\$ 2,585,570

See accompanying Notes to Financial Statements.

THE METHODIST HOME FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2006

	Severe Intervention	Moderate Intervention	Therapeutic Foster Care	Private Agency Foster Care	Fund Raising & Development	Administrative & General	Total
Allowances	\$ 2,421	\$ 2,793	\$ -	\$ -	\$ -	\$ -	\$ 5,214
Bad debts	4,450	4,450	1,483	297	-	1,780	12,460
Birthday gifts	49	56	-	-	-	-	105
Clothing and uniforms	6,771	7,812	-	-	-	-	14,583
Contracts- outside services	5,262	6,072	-	-	3,533	-	14,867
Depreciation	25,782	25,782	8,594	1,719	-	10,313	72,190
Dues	930	930	310	62	-	372	2,604
Employee benefits	12,935	13,110	5,673	878	-	4,720	37,316
Food	28,284	32,636	-	-	-	-	60,920
Foster care parent payments	-	-	754,784	14,289	-	-	769,073
Housekeeping supplies	578	667	-	-	-	-	1,245
Insurance	62,484	62,484	20,828	4,166	-	24,994	174,956
Interest	-	-	-	-	-	14,352	14,352
Licenses	335	335	112	22	-	134	938
Linen and bedding	150	174	-	-	-	-	324
Management fees	36,717	36,716	12,239	2,445	-	14,685	102,802
Medical services and supplies	7,280	8,400	-	-	-	-	15,680
Office supplies	8,498	8,498	2,833	567	-	3,399	23,795
Payroll taxes	28,387	31,461	17,700	1,111	-	14,499	93,158
Personal care	482	557	-	-	-	-	1,039
Postage	-	-	-	-	1,993	-	1,993
Printing and marketing	-	-	-	-	27,839	-	27,839
Professional services	5,319	5,319	1,773	355	-	2,128	14,894
Repairs	11,884	13,713	-	-	-	-	25,597
Repairs - building	28,611	33,013	-	-	-	-	61,624
Salaries	403,114	448,055	169,046	12,612	-	175,630	1,208,457
Security	202	232	248	14	-	4	700
Summer activity & recreation	2,248	2,594	-	-	-	-	4,842
Supplies	3,243	3,742	72	4	-	-	7,061
Telephone	6,891	6,961	4,671	562	-	2,572	21,657
Therapeutic & training supplies	223	258	-	-	-	-	481
Training	2,826	3,144	1,009	90	-	302	7,371
Travel and seminar	10,385	10,385	4,070	724	-	4,154	29,718
Utilities	15,696	15,696	5,232	1,046	-	6,278	43,948
Vehicles	8,820	10,111	10,460	572	-	172	30,135
Totals	\$ 731,257	\$ 796,156	\$ 1,021,137	\$ 41,535	\$ 33,365	\$ 280,488	\$ 2,903,938

See accompanying Notes to Financial Statements.

THE METHODIST HOME FOR CHILDREN
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (117,562)	\$ 98,511
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	41,544	72,190
Gain on the disposal of assets	(13,000)	-
(Increase) decrease in operating assets:		
Accounts receivable	42,093	121,907
Insurance receivable	158,708	(158,708)
Prepaid expenses	25,843	4,292
Increase (decrease) in operating liabilities:		
Accounts payable	9,870	(41,066)
Accrued expenses	(3,992)	107,914
Accrued payroll liabilities	-	(5,572)
Other current liabilities	-	(34,537)
Net cash provided by operating activities	<u>143,504</u>	<u>164,931</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(42,909)
Proceeds from disposal of assets	13,000	-
Purchase of investments, net	(111,251)	(760)
Net cash used by investing activities	<u>(98,251)</u>	<u>(43,669)</u>
Cash flows from financing activities:		
Borrowings under lines of credit	-	123,938
Repayments of lines of credit	-	(305,201)
Net cash used by financing activities	<u>-</u>	<u>(181,263)</u>
Net increase (decrease) in cash	45,253	(60,001)
Cash at beginning of year	<u>24,071</u>	<u>84,072</u>
Cash at end of year	<u>\$ 69,324</u>	<u>\$ 24,071</u>

See accompanying Notes to Financial Statements.

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2007 and 2006

1) Nature of activities

The Methodist Home for Children (the Home) is chartered in the state of Louisiana as a not-for-profit organization without capital stock, which is classified as one that is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code because it is an organization described in section 170(b)(1)(A)(vi) which normally receives a substantial part of its support from direct or indirect contributions from the general public. The Home operates a residential treatment facility located in New Orleans, Louisiana, providing care for abused, neglected, and/or abandoned children. It is operated as an agency of the Louisiana Conference of the United Methodist Church.

The Methodist Home for Children administers programs, receiving revenue from the State of Louisiana, Office of Community Services. The residential programs administer to children with moderate and severe emotional and/or behavioral problems. The therapeutic and private agency foster care programs place children in family environments, while providing counseling and support for the families.

The accompanying financial statements include only the accounts of The Methodist Home for Children. No other assets owned by or activities operated by the Louisiana Conference of the United Methodist Church have been included herein.

2) Summary of significant accounting policies

The significant accounting policies followed by the Company are summarized as follows:

(a) Basis of presentation

The financial statements are prepared on the accrual basis. Support from both unrestricted and restricted contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Support from unrestricted contributions is reported as unrestricted support that increases unrestricted net assets. The Home reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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, where all related expenses are also reported. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Home reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2007 and 2006

2) Summary of significant accounting policies (continued)

(b) Investments in marketable securities

Investments in marketable securities are stated at fair value. There are no donor-restricted investments at June 30, 2007. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets. Dividend, interest, and other investment income are reported in the period earned in the statement of activities as increases in unrestricted net assets.

(c) Concentration of risk

Approximately 84% and 81% of the Home's revenue for the years ended June 30, 2007 and 2006 was provided by contract for services with the State of Louisiana, Office of Community Services. A significant reduction in the level of this revenue, if this were to occur, would have a material effect on the Home's programs and activities. The Home is required to submit expenditure reports to the state agency, when requested.

(d) Concentration of credit risk

Deposits at financial institutions may at times exceed the Federal Deposit Insurance Corporation limit. Deposits in excess of insurance coverage represent concentrations of credit risk. The Home has not experienced any losses as a result of any excess deposits in uninsured accounts. Amounts in the investment account are not insured under the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SPIC). The Home has not experienced losses in such account.

(e) Depreciation

Building and improvements are being depreciated over estimated useful lives of 40 years using the straight-line method of depreciation. Equipment and furniture are depreciated over estimated useful lives, which range from 3 to 10 years, using the straight-line method of depreciation. It is the Home's policy to capitalize assets costing \$500 or more.

(f) Accounts receivable

Trade accounts receivable are stated at the amount the Home expects to collect. The Home maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Home's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. The Home's estimate for the allowance for doubtful accounts is based on a review of the current status of accounts receivable. An allowance for uncollectible amounts is recorded equal to aged receivables over one year old. The balance of the allowance for uncollectible amounts at June 30, 2007 and 2006 was \$-0- and \$55,079, respectively.

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2007 and 2006

2) Summary of significant accounting policies (continued)

(g) Income taxes

No provision for income taxes has been made since the Home is exempt as a nonprofit organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The Home has no unrelated business income.

(h) 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the period. Actual results could differ from those estimates.

(i) Allocation of expenses

Administrative expenses and other overhead are allocated to program and supporting services by management on the basis of number of residents in the corresponding programs and/or the number of employees in the corresponding departments.

(j) Statements of cash flows

For purposes of the statements of cash flows, the Home considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

3) Investments

Investments are stated at fair value. The United Methodist Foundation of Louisiana is the custodian of the investments for The Methodist Home for Children. The Foundation makes investment transactions through professional investment management companies. The Home participates in the Foundation's Fixed Income Funds. These assets are unrestricted. The resolutions as to the use of these funds are voluntary, at the discretion of the Board of Directors of the Home. Therefore, investment income gains (losses) and expenses are reported in the current period in the statement of activities as increases (decreases) in unrestricted net assets. At June 30, 2007 and 2006, \$135,473 and \$24,222 were invested in fixed income funds, respectively.

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2007 and 2006

4) Support and revenue and donated materials, facilities and services

From time to time the Home receives used furniture and equipment and contributed labor and materials to enhance the facilities. Donated materials and facilities that are such that fair values cannot reasonably be determined and which vary greatly in value depending on condition and style are not recorded as contributions. If donated materials pass through the organization to its charitable beneficiaries, and the organization serves only as an agent for the donors, the donations are not recorded as a contribution. Therefore, historically, the Home has not recorded as contributions any donated materials and facilities.

The Home receives donated services from volunteers for fundraising, as available, and from the members of the Board of Directors, who serve without compensation. Because of the difficulty in placing a monetary value on such services, their value has not, historically been recorded as contributions with an equivalent amount recorded as an expense. The Home recognizes contributions of services, if the service received required specialized skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2007 and 2006, there were no contributed services meeting the requirements for recognition in the financial statements.

5) Property and equipment

Property and equipment are carried at cost if purchased and at fair value if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period. The cost of maintenance and repairs is charged to expense as incurred. The following is a summary of the major classes of property and equipment and the related depreciation:

	<u>2007</u>	<u>2006</u>
Land	\$ 82,332	\$ 82,332
Buildings	404,655	404,655
Improvements	682,170	682,170
Equipment	288,698	288,698
Furniture & Fixtures	209,940	209,940
Vehicles	96,546	171,444
Total cost	1,764,341	1,839,239
Less accumulated depreciation	1,595,200	1,628,554
Property and equipment	\$ 169,141	\$ 210,685

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2007 and 2006

6) Contingencies

As a result of Hurricane Katrina, the Home had approximately \$170,000 of unpaid unemployment claims with the state of Louisiana. As of June 30, 2007 and 2006, management has included in accrued expenses a \$170,000 reserve for these claims, which the Home has recorded as an estimate of what it thinks this matter will ultimately cost.

7) Related party transactions

The Methodist Home for Children incurred management fees of \$164,747 and \$102,807 for the years ended June 30, 2007 and 2006, respectively, to an affiliated entity, Louisiana Methodist Children's Home in Ruston, Louisiana.

8) Retirement plan

The Methodist Home for Children has a 403(b)(9) retirement plan for all eligible employees. Employees are eligible to participate in the plan if they are at least 18 years of age, have been employed by the Home for one year, and work at least 20 hours per week. Employees are required to contribute at least 2% (up to a maximum of 20%) of their gross bi-weekly wages into the plan, not to exceed \$9,500. The employer agrees to contribute 4% of each participating employee's contribution base. Employer contributions for the plan during the year were approximately \$11,201 and \$4,600 in 2007 and 2006, respectively.

9) Charitable trusts

On December 18, 1990, a charitable trust was set up by an individual designating the director of the United Methodist Foundation of Louisiana as trustee. The donor suggested that the trust's annual income be distributed to The Methodist Home for Children in New Orleans, Louisiana, on an unrestricted basis. The term of the trust is for 30 years.

In the event The Methodist Home for Children in New Orleans, Louisiana, ceases to function or ceases to be a qualified tax exempt charity before the 30 years has run, the donor suggested the funds be distributed to another children's home. At June 30, 2007 and 2006, the market value of the trust was \$461,237 and \$435,192, respectively. The Home is presently receiving income from the trust. Income from the trust for the years ended June 30, 2007 and 2006 was \$23,289 and \$16,206, respectively.

The Methodist Home for Children is also the income beneficiary of another fund with the United Methodist Foundation of Louisiana as trustee. At June 30, 2007 and 2006, the market value of the fund was \$3,671 and \$3,298, respectively.

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2007 and 2006

10) Supplementary disclosure of cash flows information

	<u>2007</u>	<u>2006</u>
Cash paid during the year for:		
Interest	<u>\$ -0-</u>	<u>\$14,352</u>

11) Subsequent events

In July 2007, the Louisiana Department of Social Services declined the renewal of the Home's contract for residential services. Residents in these programs will be transitioned to the other residential programs in the state.



WEGMANN DAZET & COMPANY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Methodist Home for Children

We have audited the financial statements of The Methodist Home for Children (the "Home"), a Louisiana nonprofit organization, as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated December 11, 2007. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Home's internal control over financial reporting as a basis for designing our auditing procedures 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 Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Home's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Home's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Home's financial statements that is more than inconsequential will not be prevented or detected by the Home's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Home's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Home's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the Louisiana Legislative Auditor Office and is not intended to be and should not be used by anyone other than these specified parties.

December 11, 2007

Wegmann Dazet & Company

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THE METHODIST HOME FOR CHILDREN
SCHEDULE OF FINDINGS

June 30, 2007

Section I Summary of Auditors' Report

A) Financial Statements

Type of auditors' report issued: Unqualified

Internal Control over financial reporting:

- | | | | | |
|--|-------|-----|--------------|----|
| • Material weakness(es) identified | _____ | Yes | <u> X </u> | No |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | _____ | Yes | <u> X </u> | No |
| • Noncompliance material to financial statements noted | _____ | Yes | <u> X </u> | No |

B) Federal Awards

For the year ended June 30, 2007, The Methodist Home for Children was not subject to OMB Circular A-133 Audits of States, Local Government and Non-Profit Organizations.

Section II Financial Statement Findings

There were no financial statement findings required to be reported for the year ended June 30, 2007.

Section III Federal Award Findings and Questioned Costs

Not applicable.

THE METHODIST HOME FOR CHILDREN
SCHEDULE OF PRIOR YEAR FINDINGS

June 30, 2007

Section I Internal Control and Compliance Materials to the General Purpose Financial Statements

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
2006-1 Failures in operation of the internal controls: Evidence of failure to perform tasks that are part of internal controls. Failure to reconcile subsidiary records to general ledger balances, such as petty cash, bank reconciliations, accounts receivable, accounts payable, and could cause timing misstatements that would adversely effect operations and planning decisions.	Resolved.
2006-2 Failures in operation of the internal controls: Evidence of failure to perform tasks that are part of internal controls. Failure to properly code revenues and expenses could cause misstatements that would adversely effect operations and planning decisions.	Resolved.

Section II Internal Control and Compliance Material to Federal Awards

For the year ended June 30, 2006 The Methodist Home for Children was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the year ended June 30, 2006.

REPORTS BY MANAGEMENT

THE METHODIST HOME FOR CHILDREN
MANAGEMENT'S CORRECTIVE ACTION PLAN

June 30, 2007

Section I Internal Control and Compliance Material to the General Purpose Financial Statements.

For the year ended June 30, 2007, there were no internal control or compliance issues reported or noted.

Section II Internal Control and Compliance Material to Federal Awards.

For the year ended June 30, 2007, The Methodist Home for Children was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the year ended June 30, 2007.