

Financial Report

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

Houma, Louisiana

For the years ended 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 4/9/08

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MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2007 and 2006

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of MacDonell United Methodist Children's Services, Inc. (the Agency), a nonprofit organization, 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 Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency 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.

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In accordance with Government Auditing Standards, we have also issued a report dated November 9, 2007 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
November 9, 2007.

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

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 331,679	\$ 344,140
Operating trust - investments	73,806	70,402
Accounts receivable, state agencies	118,800	130,185
Prepaid insurance	26,046	25,748
Assets restricted for future years' use of facilities	697,916	795,521
Endowment trust - investments	529,932	466,708
Restricted trust - investments	298,087	255,180
Property and equipment, net	374,813	399,795
Deposits	572	418
	<u> </u>	<u> </u>
Totals	<u>\$ 2,451,651</u>	<u>\$ 2,488,097</u>
Liabilities		
Accounts payable	\$ 25,933	\$ 24,992
Accrued salaries and compensated absences	104,143	109,542
Payroll taxes payable	1,061	993
Other liabilities	5,003	4,743
	<u> </u>	<u> </u>
Total liabilities	<u>136,140</u>	<u>140,270</u>
Net Assets		
Unrestricted:		
Designated for subsequent years' expenses and plant expansion	653,554	560,129
Undesignated	935,766	963,902
	<u> </u>	<u> </u>
Total unrestricted	1,589,320	1,524,031
Temporarily restricted	697,916	795,521
Permanently restricted	28,275	28,275
	<u> </u>	<u> </u>
Total net assets	<u>2,315,511</u>	<u>2,347,827</u>
	<u> </u>	<u> </u>
Totals	<u>\$ 2,451,651</u>	<u>\$ 2,488,097</u>

See notes to financial statements.

The Board of Directors
Of the Southeast Spouse Abuse Program
Hammond, Louisiana

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the Southeast Spouse Abuse Program taken as a whole. The supplemental information schedules listed on pages 18 and 21 are presented for the purpose of additional analysis and are not a required part of the financial statements of the Southeast Spouse Abuse Program, Hammond, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anthony B. Baglio, CPA, APAC
Hammond, Louisiana
December 03, 2007

**Southeast Spouse Abuse Program
Statement of Financial Position
June 30, 2007**

Assets	
Current Assets:	
Cash	\$ 96,636
Receivable - LA State General Fund	51,713
Receivable - Marriage Licenses	6,950
Receivable - TANF	40,066
Receivable - Crime Victims Assistance	6,392
Receivable - Housing and Urban Development	28,458
Receivable - Emergency Shelter Grant Program	3,634
Receivable - Interest On Lawyers Trust Account	3,000
Receivable - United Way Current Year	1,075
Receivable - Louisiana Department of Revenue	499
Unconditional Promises to Give:	
Tangipahoa Area United Way funding for the next fiscal year	19,000
Bogalusa Area United Way funding for the next fiscal year	4,300
Prepaid Expenses	8,113
Total Current Assets	<u><u>269,836</u></u>
Fixed Assets:	
Land	21,150
Building	61,587
Computers, Software and Printers	47,044
Office Furniture	11,610
Office Equipment	56,836
Library	433
Less: Accumulated Depreciation	<u>(100,388)</u>
Total Fixed Assets	<u>98,272</u>
Total Assets	<u><u>\$ 368,108</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts Payable	\$ 3,045
Accrued Vacation Payable	8,081
Accrued Payroll Liabilities	5,052
Due to IOLTA	107
Note Payable, Homestead Bank	1,114
Total Current Liabilities	<u>17,399</u>
Long-Term Liabilities:	
Note Payable, Homestead Bank	<u>87,123</u>
Total Current Liabilities	<u>87,123</u>
Total Liabilities	<u><u>104,522</u></u>
Net Assets:	
Unrestricted Net Assets	240,286
Temporarily Restricted Net Assets	23,300
Total Net Assets	<u>263,586</u>
Total Liabilities and Net Assets	<u><u>\$ 368,108</u></u>

The accompanying notes are an integral part of this statement.

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2007

	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	\$ 51,651	\$ -	\$ 49,334	\$ -	\$ 25,642	\$ -	\$ 27,612	\$ 588,925
Payroll taxes	3,764	-	3,943	-	1,714	-	2,019	44,383
Employee benefits	3,117	-	5,169	-	4,527	-	4,693	29,725
Total salaries and related expenses	58,532	-	58,446	-	31,883	-	34,324	663,033
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	1,262	-	-
Building and grounds maintenance	21,879	-	-	-	-	-	-	-
Building and grounds repair	3,415	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	525	-	-
Contract services	19,265	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	2,271	-	-	-	-	-	-
Furniture and equipment	-	16,098	-	-	-	-	-	-
Leasehold improvements	-	28,640	-	-	-	-	-	-
Disposal of assets	-	473	-	-	-	-	-	-
Donated use of facilities	-	159,333	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	62,995	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
Laundry/Linen supplies	-	-	-	3,150	-	-	-	-
License	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	1,844	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	2,916	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/Photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	12,686	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Supplies	244	-	4,600	-	4,979	2,206	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	66,548	-	-	-	-	-	-	-
Totals	\$ 182,569	\$ 206,815	\$ 126,041	\$ 3,150	\$ 36,862	\$ 6,909	\$ 36,168	\$ 663,033

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 52,671	\$ -	\$ -	\$ 795,835	\$ 245,350	\$ 39,870	\$ 285,220	\$ 1,081,055
3,854	-	-	59,677	17,600	3,041	20,641	80,318
6,123	-	-	53,354	24,882	2,935	27,817	81,171
62,648	-	-	908,866	287,832	45,846	333,678	1,242,544
9,045	-	-	9,045	-	-	-	9,045
-	-	-	-	6,502	-	6,502	6,502
-	-	-	1,262	-	-	-	1,262
-	-	-	21,879	-	-	-	21,879
-	-	-	3,415	-	-	-	3,415
-	-	-	525	-	-	-	525
-	-	-	19,265	-	-	-	19,265
-	-	-	-	-	1,037	1,037	1,037
-	-	-	2,271	-	-	-	2,271
-	-	-	16,098	-	-	-	16,098
-	-	-	28,640	-	-	-	28,640
-	-	-	473	-	-	-	473
-	-	-	159,333	-	-	-	159,333
-	-	-	-	3,139	-	3,139	3,139
-	-	-	62,995	-	600	600	600
-	-	-	-	-	7,000	7,000	7,000
-	-	-	-	108,018	-	108,018	108,018
-	-	-	-	-	788	788	788
-	-	-	3,150	-	-	-	3,150
-	-	-	-	600	-	600	600
-	-	-	1,844	-	-	-	1,844
-	-	-	-	2,419	-	2,419	2,419
-	-	-	-	9,267	1,203	10,470	10,470
-	-	-	-	7,668	-	7,668	7,668
-	-	-	2,916	-	-	-	2,916
-	-	-	-	3,486	-	3,486	3,486
-	-	-	-	-	535	535	535
-	-	-	-	3,991	-	3,991	3,991
-	-	-	-	-	852	852	852
-	-	-	-	15,043	-	15,043	15,043
-	14,300	-	14,300	-	-	-	14,300
-	-	-	12,686	-	-	-	12,686
-	-	503	503	-	-	-	503
671	-	-	12,700	2,236	-	2,236	14,936
-	-	-	-	10,787	-	10,787	10,787
-	-	-	-	3,516	111	3,627	3,627
-	-	-	66,548	-	-	-	66,548
<u>\$ 72,364</u>	<u>\$ 14,300</u>	<u>\$ 503</u>	<u>\$ 1,348,714</u>	<u>\$ 464,504</u>	<u>\$ 57,972</u>	<u>\$ 522,476</u>	<u>\$ 1,871,190</u>

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2006

	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	\$ 51,607	\$ -	\$ 50,490	\$ -	\$ 25,337	\$ -	\$ 30,252	\$ 639,989
Payroll taxes	3,986	-	3,233	-	1,607	-	2,031	47,864
Employee benefits	5,604	-	7,110	-	4,789	-	4,321	49,781
Total salaries and related expenses	61,197	-	60,833	-	31,733	-	36,604	737,634
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	1,349	-	-
Building and grounds maintenance	16,024	-	-	-	-	-	-	-
Building and grounds repair	3,169	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	799	-	-
Contract services	18,600	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-	-	-
Building	-	2,147	-	-	-	-	-	-
Furniture and equipment	-	17,493	-	-	-	-	-	-
Leasehold improvements	-	28,503	-	-	-	-	-	-
Disposal of assets	-	593	-	-	-	-	-	-
Donated use of facilities	-	159,334	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	58,979	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
Laundry/Linen supplies	-	-	-	3,020	-	-	-	-
License	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	2,403	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	2,693	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/Photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	10,882	-	-	-	-	-	-	-
School supplies	-	-	-	-	-	-	-	-
Subscriptions	-	-	-	-	-	-	-	-
Supplies	165	-	5,304	-	4,595	2,747	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	73,532	-	-	-	-	-	-	-
Totals	\$ 183,569	\$ 208,070	\$ 125,116	\$ 3,020	\$ 36,328	\$ 7,588	\$ 39,007	\$ 737,634

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 55,746	\$ -	\$ -	\$ 853,421	\$ 246,494	\$ 42,486	\$ 288,980	\$ 1,142,401
4,039	-	-	62,760	17,616	3,097	20,713	83,473
4,672	-	-	76,277	22,702	624	23,326	99,603
64,457	-	-	992,458	286,812	46,207	333,019	1,325,477
7,081	-	-	7,081	-	-	-	7,081
-	-	-	-	7,796	-	7,796	7,796
-	-	-	1,349	-	-	-	1,349
-	-	-	16,024	-	-	-	16,024
-	-	-	3,169	-	-	-	3,169
-	-	-	799	-	-	-	799
-	-	-	18,600	-	-	-	18,600
-	-	-	-	-	279	279	279
-	-	-	2,147	-	-	-	2,147
-	-	-	17,493	-	-	-	17,493
-	-	-	28,503	-	-	-	28,503
-	-	-	593	-	-	-	593
-	-	-	159,334	-	-	-	159,334
-	-	-	-	3,046	-	3,046	3,046
-	-	-	58,979	-	600	600	600
-	-	-	-	-	5,373	5,373	5,373
-	-	-	-	133,860	-	133,860	133,860
-	-	-	-	-	735	735	735
-	-	-	3,020	-	-	-	3,020
-	-	-	-	625	-	625	625
-	-	-	2,403	-	-	-	2,403
-	-	-	-	1,595	-	1,595	1,595
-	-	-	-	13,713	1,141	14,854	14,854
-	-	-	-	7,799	-	7,799	7,799
-	-	-	2,693	-	-	-	2,693
-	-	-	-	2,871	-	2,871	2,871
-	-	-	-	-	528	528	528
-	-	-	-	1,194	-	1,194	1,194
-	-	-	-	-	1,199	1,199	1,199
-	-	-	-	13,967	-	13,967	13,967
-	13,800	-	13,800	-	-	-	13,800
-	-	-	10,882	-	-	-	10,882
-	-	2,915	2,915	-	-	-	2,915
-	-	-	-	983	-	983	983
721	-	-	13,532	-	-	-	13,532
-	-	-	-	8,959	-	8,959	8,959
-	-	-	-	5,026	76	5,102	5,102
-	-	-	73,532	-	-	-	73,532
<u>\$ 72,259</u>	<u>\$ 13,800</u>	<u>\$ 2,915</u>	<u>\$ 1,429,306</u>	<u>\$ 488,246</u>	<u>\$ 56,138</u>	<u>\$ 544,384</u>	<u>\$ 1,973,690</u>

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

For The Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (32,316)	\$ (40,374)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Non-cash rental expense	97,605	90,242
Depreciation	47,009	48,143
Loss from disposition of equipment	475	593
Unrealized (gains)/losses on investments	(73,393)	928
Decrease (increase) in assets:		
Receivables	11,385	-
Prepaid insurance	(298)	(786)
Deposits	(154)	-
Increase (decrease) in liabilities:		
Accounts payable	941	(1,662)
Accrued salaries and vacation	(5,399)	5,428
Payroll taxes payable	68	(172)
Other liabilities	260	(1,259)
Total adjustments	<u>78,499</u>	<u>141,455</u>
Net cash provided by operating activities	<u>46,183</u>	<u>101,081</u>
Cash Flows from Investing Activities		
Purchases of equipment	(22,502)	(31,016)
Purchases of investments held in trusts	(36,142)	(46,093)
Net cash used in investing activities	<u>(58,644)</u>	<u>(77,109)</u>
Net increase (decrease) in cash	(12,461)	23,972
Cash		
Beginning of year	<u>344,140</u>	<u>320,168</u>
End of year	<u>\$ 331,679</u>	<u>\$ 344,140</u>

See notes to financial statements.

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

June 30, 2007 and 2006

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.

b) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the 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, 2007 and 2006.

f) Investments

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

The operating and restricted trusts are included in investment pools administered by the United Methodist Foundation. The investment pools are operated using the "market value unit method". Under this method, each participant is assigned a number of units based on the relationship of the market value of all investments at the time of entry in the pool. Periodically, the pooled assets are valued. The new asset values are used to determine the number of units to be allocated to participants entering or withdrawing from the pools. Investment pool income, gains and losses are allocated based on the number of units held by each participant during the period. The restrictive trust includes but is not limited to restrictive net assets, as defined by FASB No. 117.

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. Investment income as shown is net of \$3,500 of investment expenses of the endowment trust during each year ended June 30, 2007 and 2006.

g) Bad Debts

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Promises to Give/Contributions

Contributions are recognized when a donor makes a promise to give to the Agency that is, in substance, unconditional. 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, 2007, 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, 2007 and 2006, 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.

i) Property and Equipment

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

Buildings	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)

i) Property and Equipment (continued)

Additions and betterments of \$250 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts and gains or losses thereon are included in operations. Depreciation and amortization expense for the years ended June 30, 2007 and 2006 was \$47,009 and \$48,143, respectively.

j) Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donations for the use of property with explicit restrictions on time and use are reported as restricted support based on the estimated fair value of use. It is the Agency's policy to apply the time and use restrictions based on the assets' estimated fair values of use and term of use. Estimated fair value of the use of property is determined by independent appraisal. The most recent independent appraisal of the use of the property is dated January 11, 1999. Absent donor stipulations regarding how long those donated assets must be maintained, the 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.

k) Donated Services and Materials

The National Division of the Board of Global Ministries of the United Methodist Church pays the "fire and extended coverage" insurance premium and fidelity bond coverage for the 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Compensated Absences

Full-time staff are entitled to paid vacations and holiday time after one full year of employment. Holiday time not taken is accrued from year to year. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year unless the agency requests an employee to postpone vacation for the good of the program. Terminating employees will be paid for unused vacation leave and holiday time if leaving prior to their anniversary date. The total amount of accrued accumulated vacation leave and holiday time at June 30, 2007 and 2006 was \$62,238 and \$67,127, respectively.

Sick leave accrues at one-half day per month, or six days per year. An employee may accumulate sick leave up to a maximum of twelve days. Sick leave does not vest with the employee and, therefore, is forfeited upon termination.

m) Functional Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses in accordance with cost reporting regulations of the Louisiana Department of Social Services. Accordingly, certain costs have been allocated among the services and activities benefitted.

n) Income Taxes

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

Note 2 - INVESTMENTS

Investments for the years ended June 30, 2007 and 2006 are as follows:

<u>Investment Pool</u>	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Operating Trust	<u>\$ 73,806</u>	<u>\$ 73,806</u>	<u>\$ 70,402</u>	<u>\$ 70,402</u>
Endowment Trust:				
Money market	52,765	52,765	41,019	41,019
Mutual funds - fixed	116,568	116,629	137,731	136,718
Mutual funds - equity	<u>281,117</u>	<u>360,538</u>	<u>252,825</u>	<u>288,971</u>
Total endowment trust	<u>450,450</u>	<u>529,932</u>	<u>431,575</u>	<u>466,708</u>
Restricted Trust	<u>274,071</u>	<u>298,087</u>	<u>260,207</u>	<u>255,180</u>
Totals	<u>\$798,327</u>	<u>\$901,825</u>	<u>\$762,184</u>	<u>\$792,290</u>

The investment pools of the operating and restricted trusts have been merged by the bank trustee. While the administrator, the United Methodist Foundation, maintains separate accounting for the operating and restricted trusts, the merged investment pool at December 31, 2006, the latest trust report date, consisted of the following:

Cash and cash equivalents	8.0%
Fixed income securities	35.9%
Equities	51.3%
Real estate and mortgage receivables	<u>4.8%</u>
Total	<u>100.0%</u>

Note 3 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets include the present value of a lease agreement between the Agency and the Women's Division of the General Board of Global Ministries of the United Methodist Church, \$697,916 and \$795,521 at June 30, 2007 and 2006, 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 thirteen years ending December 31, 2012. The present value of the lease was determined by applying the time restriction to the use cost of the property, which is determined by multiplying the annual rental, based on an independent appraisal, times the number of years of the lease, thirteen years. A discount rate of 8% was used to determine the present value. The annual lease rental for the years ended June 30, 2007 and 2006 was \$159,333 and \$159,334, respectively.

Note 3 - RESTRICTIONS ON NET ASSETS (Continued)

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

Note 4 - PROPERTY AND EQUIPMENT

At June 30, 2007 and 2006 property and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 58,137	\$ 57,826
Building	59,821	53,828
Leasehold improvements	772,568	767,754
Machinery and equipment	175,827	170,356
Furniture and fixtures	68,205	70,817
Autos and trucks	78,332	78,332
Construction in progress	<u>10,000</u>	<u>17,566</u>
	1,222,890	1,216,479
Less accumulated depreciation	<u>848,077</u>	<u>816,684</u>
Net property and equipment	<u>\$ 374,813</u>	<u>\$ 399,795</u>

Construction in progress at June 30, 2007 includes architectural fees for a new dormitory.

Note 5 - 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 contribute a minimum of three percent of their salaries to the retirement fund and the Agency contributes an amount equal to six percent of the salaries of such employees. The Agency's contributions to the plan for the years ended June 30, 2007 and 2006 were \$46,079 and \$56,223, respectively.

Note 6 - 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, 2007 and 2006 were \$1,410,564 and \$1,541,958, respectively.

Reimbursements are determined based on a child-care day rate of \$123.75. 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, 2007 and 2006 were 11,562 and 12,639, 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. Management is not aware of any actions by the Federal or state government that will adversely affect the amount of support the Agency will receive in the next fiscal year.

Note 7 - CONCENTRATION OF RISK

MacDonell United Methodist Children's Services, Inc. maintains several bank accounts at Whitney National Bank and Capital One Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at these institutions exceeded Federally insured limits by \$148,282 as of June 30, 2007 and \$157,802 as of June 30, 2006.

Note 8 - 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, 2007 and 2006.

Note 9 – LINE OF CREDIT

On March 24, 2006 the Agency obtained 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. 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, 2007, and none have occurred through the date of the independent auditor’s report. At June 30, 2007, \$50,000 was available to the Agency for borrowings under the line of credit.

SUPPLEMENTARY INFORMATION SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors.

MacDonell United Methodist Children's Services, Inc.,
Houma, Louisiana.

Our report on our audits of the financial statements of MacDonell United Methodist Children's Services, Inc., (the Agency), for the years ended June 30, 2007 and 2006, appears on pages 1 and 2. The audits were conducted for the purpose of forming an opinion on such financial statements taken as a whole. The information contained in the schedule of revenues and expenses and graphs of revenues and expenses for the years ended June 30, 2007 and 2006 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2007 and 2006, taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the statements of financial position of MacDonell United Methodist Children's Services, Inc., as of June 30, 2005, and the related statement of activities for the year ended June 30, 2005 (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, 2005 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,
November 9, 2007.

SCHEDULE OF REVENUES AND EXPENSES

Schedule I

MacDonell United Methodist Children's Services, Inc.

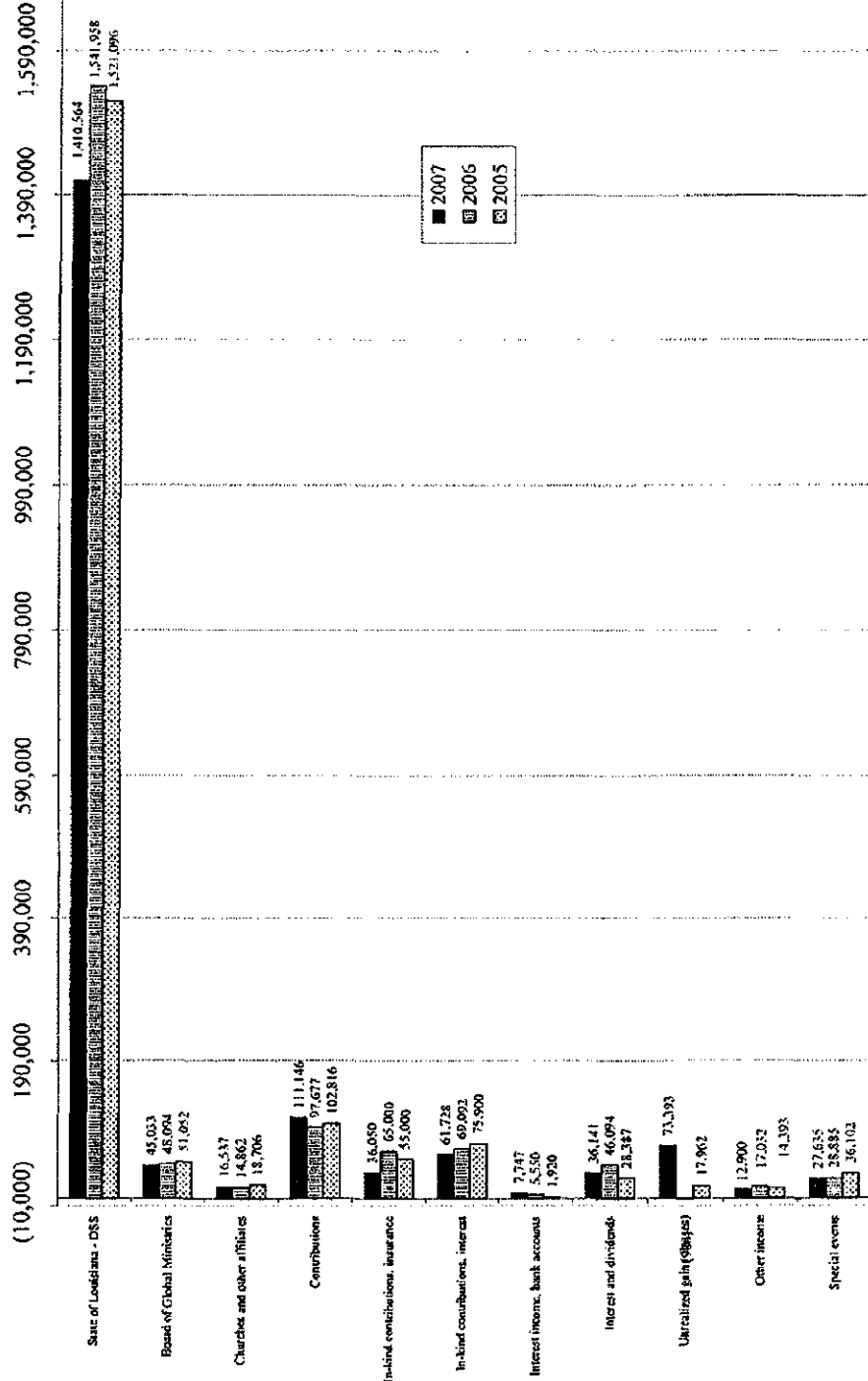
For the years ended June 30, 2007, 2006, and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues			
State of Louisiana - DSS	\$ 1,410,564	\$ 1,541,958	\$ 1,521,096
Board of Global Ministries	45,033	48,094	51,052
Churches and other affiliates	16,537	14,862	18,706
Contributions	111,146	97,677	102,816
In-kind contributions, insurance	36,050	65,000	55,000
In-kind contributions, interest	61,728	69,092	75,900
Interest income, bank accounts	7,747	5,550	1,920
Investment income, interest and dividends	36,141	46,094	28,387
Investment income, unrealized gains (losses)	73,393	(928)	17,962
Other income	12,900	17,032	14,393
Special events	27,635	28,885	36,102
	<u>\$ 1,838,874</u>	<u>\$ 1,933,316</u>	<u>\$ 1,923,334</u>
Expenses			
Salaries	\$ 1,081,055	\$ 1,142,401	\$ 1,146,722
Payroll taxes	80,318	83,473	83,533
Employee benefits	81,171	99,603	101,147
Building and grounds maintenance	21,879	16,024	17,723
Contract services	19,265	18,600	18,720
Depreciation	47,009	48,143	47,017
Donated use of facilities	159,333	159,334	159,334
Food and beverage	62,995	58,979	62,976
Insurance	108,018	133,860	121,546
Other expenses	117,851	117,495	114,073
Supplies	14,936	13,532	12,768
Utilities	66,548	73,532	61,166
Volunteer Activist	10,812	8,714	8,896
	<u>\$ 1,871,190</u>	<u>\$ 1,973,690</u>	<u>\$ 1,955,621</u>

REVENUES

MacDonell United Methodist Children's Services, Inc.

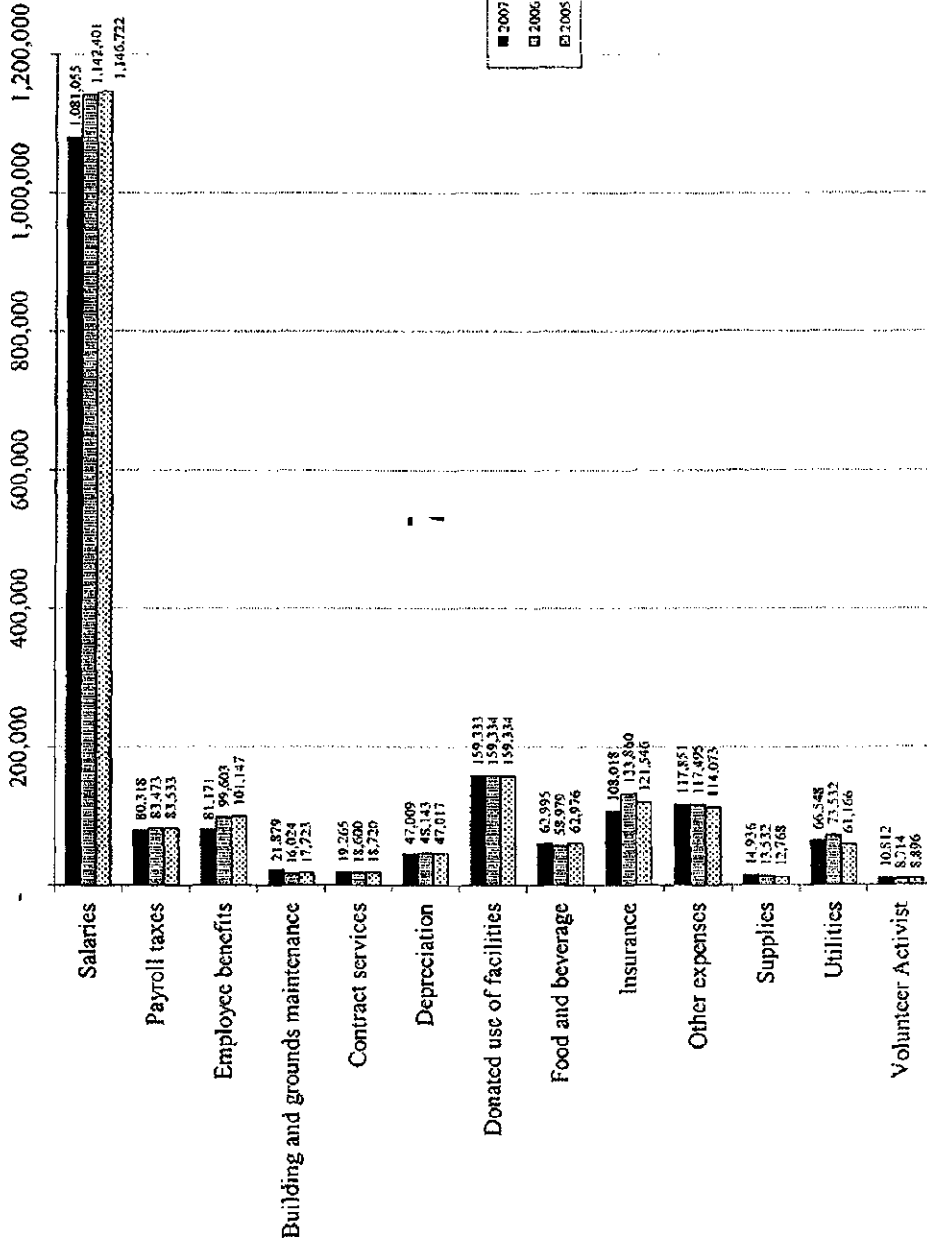
For the years ended June 30, 2007, 2006 and 2005



EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2007, 2006, and 2005



SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**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 the financial statements of MacDonell United Methodist Children's Services, Inc., (the Agency), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of control deficiencies, that adversely affects the Agency'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 Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or a 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 Agency'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 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.

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

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
November 9, 2007.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2007

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, 2006.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2006.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2006.

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, 2006 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, 2006.

MANAGEMENT'S CORRECTIVE ACTION PLAN

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2007

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, 2007.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2007.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2007.

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, 2007 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, 2007.