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**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.
RUSTON, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA
DECEMBER 31, 2006 AND 2005 (RESTATED)
AND
INDEPENDENT AUDITORS' REPORT**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT STANDARDS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

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 9/19/07

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.
RUSTON, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA
DECEMBER 31, 2006 AND 2005 (RESTATED)
AND
INDEPENDENT AUDITORS' REPORT**

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

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MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN
CERTIFIED PUBLIC ACCOUNTANTS

2120 FORSYTHE AVENUE
P.O. BOX 4550
MONROE, LOUISIANA 71211-4550

OSCAR C. ROBINSON, JR., CPA
A Professional Corporation
C. DENNIS GARDNER, CPA
A Professional Corporation
TIMMY R. LANGSTON, CPA
A Professional Corporation
RUSSELL B. BRYAN, CPA
A Professional Corporation

GENE E. MINCHEW, CPA
Retired

Telephone
(318) 323-4481

Telecopier
(318) 323-2188

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Louisiana United Methodist Children
and Family Services, Inc.
Ruston, Louisiana

We have audited the accompanying statements of financial position of Louisiana United Methodist Children and Family Services, Inc., (a nonprofit organization) as of December 31, 2006 and 2005 (restated - see Note 12), and the related statements of activities and cash flows for the years then ended, as listed in the table of contents. These financial statements are the responsibility of Louisiana United Methodist Children and Family Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Louisiana United Methodist Children and Family Services, Inc., as of December 31, 2006 and 2005 (restated), 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 a report dated April 14, 2007 on our consideration of Louisiana United Methodist Children and Family Services, Inc.'s internal control over financial statements reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Louisiana United Methodist Children and Family Services, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The schedules of additional details are presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Minchew, Robinson, Gardner,
Langston & Bryan, CPAs*

Monroe, Louisiana
April 14, 2007

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005 (RESTATED)**

ASSETS	General Operating Fund	Endowment Fund	Local Investment Fund	General Fixed Assets	Total All Funds 2006	Restated Total All Funds 2005
Current Assets						
Cash and cash equivalents	\$ 1,070,945	\$ 502,974	\$ 2,172,021	\$	\$ 3,745,940	\$ 4,946,003
Accounts & cost reimbursement receivable	787,061	32,710	49,772		869,543	934,019
Prepaid expenses and other	83,115				83,115	71,901
Promises to give - temporarily restricted					0	31,338
Promises to give - temporarily restricted (officers and employees)			2,500		2,500	3,850
Promises to give - unrestricted	<u>1,083</u>				<u>1,083</u>	<u>3,204</u>
Total current assets	<u>\$ 1,942,204</u>	<u>\$ 535,684</u>	<u>\$ 2,224,293</u>	<u>\$ 0</u>	<u>\$ 4,702,181</u>	<u>\$ 5,990,315</u>
Other assets						
Promises to give - temporarily restricted (officers and employees)	<u>\$</u>	<u>\$</u>	<u>\$ 18,400</u>	<u>\$</u>	<u>\$ 18,400</u>	<u>\$ 19,400</u>
Total other assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,400</u>	<u>\$ 0</u>	<u>\$ 18,400</u>	<u>\$ 19,400</u>
Long-Term Investments						
Stocks, bonds and notes	\$	\$ 24,279,575	\$ 23,100	\$	\$ 24,302,675	\$21,973,978
Investment property			521,936		521,936	551,936
Trust funds - temporarily restricted	56,380		1,306,815		1,363,195	1,274,180
Cash surrender value life insurance	<u>256,437</u>				<u>256,437</u>	<u>243,349</u>
Total long-term investments	<u>\$ 312,817</u>	<u>\$ 24,279,575</u>	<u>\$ 1,851,851</u>	<u>\$ 0</u>	<u>\$ 26,444,243</u>	<u>\$24,043,443</u>
Property and Equipment						
Land and improvements	\$	\$	\$	\$ 130,091	\$ 130,091	\$ 122,952
Property, plant and equipment				12,395,264	12,395,264	11,716,160
Less: Accumulated depreciation				(5,088,924)	(5,088,924)	(4,609,294)
Construction in progress				<u>1,263,039</u>	<u>1,263,039</u>	<u>134,959</u>
Total property and equipment	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,699,470</u>	<u>\$ 8,699,470</u>	<u>\$ 7,364,777</u>
Total Assets	<u>\$ 2,255,021</u>	<u>\$ 24,815,259</u>	<u>\$ 4,094,544</u>	<u>\$ 8,699,470</u>	<u>\$ 39,864,294</u>	<u>\$37,417,935</u>
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 317,283	\$	\$ 141,919	\$	\$ 459,202	\$ 196,810
Accrued compensation	<u>289,571</u>				<u>289,571</u>	<u>269,092</u>
Total current liabilities	<u>\$ 606,854</u>	<u>\$ 0</u>	<u>\$ 141,919</u>	<u>\$ 0</u>	<u>\$ 748,773</u>	<u>\$ 465,902</u>
Net Assets						
Unrestricted	\$ 1,591,787	\$ 24,815,259	\$ 2,624,910	\$ 8,699,470	\$ 37,731,426	\$34,423,265
Temporarily restricted	<u>56,380</u>		<u>1,327,715</u>		<u>1,384,095</u>	<u>2,528,768</u>
Total net assets	<u>\$ 1,648,167</u>	<u>\$ 24,815,259</u>	<u>\$ 3,952,625</u>	<u>\$ 8,699,470</u>	<u>\$ 39,115,521</u>	<u>\$36,952,033</u>
Total Liabilities and Net Assets	<u>\$ 2,255,021</u>	<u>\$ 24,815,259</u>	<u>\$ 4,094,544</u>	<u>\$ 8,699,470</u>	<u>\$ 39,864,294</u>	<u>\$37,417,935</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**COMBINED STATEMENTS OF ACTIVITIES
For The Years Ending December 31, 2006 and 2005 (Restated)**

	General Operating Fund	Endowment Fund	Local Investment Fund	General Fixed Assets	Total All Funds 2006	Restated Total All Funds 2005
UNRESTRICTED SUPPORT AND REVENUE						
Contributions	\$ 912,361	\$ 500	\$ 62,305	\$	\$ 975,166	\$ 2,059,355
Hurricane relief contributions	17,940				17,940	519,507
Children's home offerings	99,723				99,723	151,954
Wills and bequests			228,339		228,339	420,383
Child care support	6,081,509				6,081,509	5,463,271
Independent living services	146,239				146,239	189,696
Grants for child care	149,942				149,942	125,935
Family development services	70,339				70,339	58,096
Trust funds	76,559		18,146		94,705	62,666
Interest income	37,993	71,619	29,838		139,450	65,097
Dividend and pooled funds income	19,800	1,027,807	93,437		1,141,044	938,376
Miscellaneous	357,242		40,266		397,508	282,438
Net realized and unrealized gain (loss) on investments		1,603,738	(195)		1,603,543	313,866
Other investment income			705,333		705,333	633,216
	<u>\$ 7,969,647</u>	<u>\$ 2,703,664</u>	<u>\$ 1,177,469</u>	<u>\$ 0</u>	<u>\$ 11,850,780</u>	<u>\$ 11,283,856</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Restrictions satisfied by payments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,257,668</u>	<u>\$ 0</u>	<u>\$ 1,257,668</u>	<u>\$ 164,941</u>
EXPENSES						
Administrative and general	\$ 1,477,845	\$ 45,654	\$ 79,417	\$	\$ 1,602,916	\$ 1,466,590
Hurricane relief to others	271,456				271,456	0
Plant operation and maintenance	619,616				619,616	557,863
Medical and nursing	171,380				171,380	163,986
Dietary	552,166				552,166	499,309
Emergency shelter care	373,724				373,724	370,577
Child Specific Program	283,918				283,918	218,460
Residential group care	957,013				957,013	723,348
Recreational	208,294				208,284	188,594
Educational services	468,028				468,028	453,065
Pastoral care	77,730				77,730	77,836
Family development service	196,995				196,995	184,833
Clinical services	698,754				698,754	656,837
Life skills service	143,512				143,512	187,940
Outdoor wilderness learning	229,375				229,375	198,237
Public relations and development	400,352				400,352	389,394
Family plus	341,787				341,787	166,077
Changing attitudes and behavior	1,658,753				1,658,753	1,557,078
Provision for depreciation				534,277	534,277	512,630
Loss on abandonment				23,339	23,339	15,875
	<u>\$ 9,130,688</u>	<u>\$ 45,654</u>	<u>\$ 79,417</u>	<u>\$ 557,616</u>	<u>\$ 9,813,375</u>	<u>\$ 8,588,529</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (1,161,041)</u>	<u>\$ 2,658,010</u>	<u>\$ 2,355,720</u>	<u>\$ (557,616)</u>	<u>\$ 3,295,073</u>	<u>\$ 2,860,268</u>
CHANGE IN ASSETS FROM OPERATIONS	<u>\$ (1,161,041)</u>	<u>\$ 2,658,010</u>	<u>\$ 2,355,720</u>	<u>\$ (557,616)</u>	<u>\$ 3,295,073</u>	<u>\$ 2,860,268</u>
OTHER CHANGES IN NET ASSETS						
Property and equipment acquisitions and transfers	(40,807)		(1,852,302)	1,893,109	0	0
Operating transfers	1,080,800	(1,080,000)		(800)	0	0
Endowment transfers		26,494	(26,494)		0	0
CHANGE IN UNRESTRICTED NET ASSETS	<u>\$ (121,048)</u>	<u>\$ 1,604,504</u>	<u>\$ 476,924</u>	<u>\$ 1,334,693</u>	<u>\$ 3,295,073</u>	<u>\$ 2,860,268</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS						
Net realized and unrealized gain (loss) on investments	5,011		97,092		102,103	20,635
Contributions and grants			23,980		23,980	1,200,000
Net assets released from restrictions			(1,257,668)		(1,257,668)	(164,941)
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (116,037)</u>	<u>\$ 1,604,504</u>	<u>\$ (659,672)</u>	<u>\$ 1,334,693</u>	<u>\$ 2,163,488</u>	<u>\$ 3,915,962</u>
NET ASSETS - BEGINNING OF YEAR (Restated)						
Note 12	<u>1,764,204</u>	<u>23,210,755</u>	<u>4,612,297</u>	<u>7,364,777</u>	<u>36,952,033</u>	<u>33,036,071</u>
NET ASSETS - END OF YEAR	<u>\$ 1,648,167</u>	<u>\$ 24,815,259</u>	<u>\$ 3,952,625</u>	<u>\$ 8,699,470</u>	<u>\$ 39,115,521</u>	<u>\$ 36,952,033</u>

The accompanying notes are an integral

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**COMBINED STATEMENTS OF CASH FLOWS
For The Years Ending December 31, 2006 and 2005 (Restated)**

	General Operating Fund	Endowment Fund	Local Investment Fund	General Fixed Assets	Total All Funds 2006	Restated Total All Funds 2005
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from services	\$ 6,704,114	\$	\$	\$	\$ 6,704,114	\$ 5,903,548
Cash received from contributions	1,019,261	500	348,405		1,368,166	4,434,265
Income from trust funds	76,559		24,476		101,035	82,478
Interest received	37,993	68,397	29,838		136,228	70,534
Dividends and pooled income	19,800	1,018,638	93,543		1,131,981	903,259
Receipt from investment properties			763,865		763,865	553,956
Miscellaneous receipts	125,647		40,466		166,113	143,552
Cash paid to employees and suppliers	(9,000,950)	(45,654)	(78,467)		(9,125,071)	(7,961,764)
Cash received from (to) other funds	1,080,800	(1,080,000)		(800)		0
Net cash provided (used) by operating activities	<u>\$ 63,224</u>	<u>\$ (38,119)</u>	<u>\$ 1,222,126</u>	<u>\$ (800)</u>	<u>\$ 1,246,431</u>	<u>\$ 4,129,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of investments	\$	\$ 5,008,009	\$ 29,805	\$	\$ 5,037,814	\$ 3,553,755
Purchase of investments		(5,732,968)			(5,732,968)	(3,964,420)
Proceeds on sale of property				800	800	0
Purchase of property and equipment	(40,807)		(1,711,333)		(1,752,140)	(613,074)
Endowment transfers		26,494	(26,494)		0	0
Net cash provided (used) by investing activities	<u>\$ (40,807)</u>	<u>\$ (698,465)</u>	<u>\$ (1,708,022)</u>	<u>\$ 800</u>	<u>\$ (2,446,494)</u>	<u>\$ (1,023,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from short-term debt	\$	\$	\$	\$	\$ 0	\$ 0
Payment of short-term debt					0	0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 22,417</u>	<u>\$ (736,584)</u>	<u>\$ (485,896)</u>	<u>\$</u>	<u>\$ (1,200,063)</u>	<u>\$ 3,106,089</u>
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>1,048,528</u>	<u>1,239,558</u>	<u>2,657,917</u>	<u></u>	<u>4,946,003</u>	<u>1,839,914</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 1,070,945</u>	<u>\$ 502,974</u>	<u>\$ 2,172,021</u>	<u>\$ 0</u>	<u>\$ 3,745,940</u>	<u>\$ 4,946,003</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES						
Change in net assets	\$ (116,037)	\$ 1,604,504	\$ (659,672)	\$ 1,334,693	\$ 2,163,488	\$ 3,915,963
Adjustments to reconcile changes in net assets to net cash provided:						
Uncollectible pledges			4,588		4,588	16,328
Depreciation and amortization				534,277	534,277	512,630
Loss on abandoned or sold assets			195	23,339	23,534	15,875
Decrease (Increase) in receivables and promises to give	13,727	(12,391)	94,361		95,697	(71,822)
Decrease (Increase) in prepaid expenses	(11,214)				(11,214)	(7,517)
Increase (Decrease) in payables and accrued expenses	140,952		141,919		282,871	41,609
Realized and unrealized loss (gain) on investments	(5,011)	(1,603,738)	(97,092)		(1,705,841)	(272,983)
Purchase of property and equipment	40,807		1,711,333	(1,893,109)	(140,969)	0
Transfer from other funds		(26,494)	26,494		0	0
Non-cash bequest to trust funds					0	(20,255)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 63,224</u>	<u>\$ (38,119)</u>	<u>\$ 1,222,126</u>	<u>\$ (800)</u>	<u>\$ 1,246,431</u>	<u>\$ 4,129,828</u>
INTEREST PAID	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
INCOME TAXES PAID	<u>\$ 0</u>	<u>\$ 2,939</u>	<u>\$ 11,481</u>	<u>\$ 0</u>	<u>\$ 14,420</u>	<u>\$ 0</u>

The accompanying notes are an integral

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005 (RESTATED)**

ASSETS	<u>2006</u>	<u>Restated 2005</u>
Current assets		
Cash and cash equivalents	\$ 1,070,945	\$ 1,048,528
Accounts & cost reimburse receivables (net of \$3,128 and \$20,918 allowance for 2006 and 2005)	787,061	798,667
Unconditional promises to give (net of \$100 and \$300 allowance for 2006 and 2005)	1,083	3,204
Prepaid expenses and other	<u>83,115</u>	<u>71,901</u>
Total current assets	<u>\$ 1,942,204</u>	<u>\$ 1,922,300</u>
LONG-TERM INVESTMENTS		
Anonymous Charitable Lead Annuity Trust	\$ 56,380	\$ 64,457
Cash Surrender Value Life Insurance	<u>256,437</u>	<u>243,349</u>
Total long-term investments	<u>\$ 312,817</u>	<u>\$ 307,806</u>
Total assets	<u>\$ 2,255,021</u>	<u>\$ 2,230,106</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 317,283	\$ 196,810
Accrued compensation	<u>289,571</u>	<u>269,092</u>
Total current liabilities	<u>\$ 606,854</u>	<u>\$ 465,902</u>
NET ASSETS		
Unrestricted	\$ 1,591,787	\$ 1,699,747
Temporarily restricted	<u>56,380</u>	<u>64,457</u>
Total net assets	<u>\$ 1,648,167</u>	<u>\$ 1,764,204</u>
Total liabilities and net assets	<u>\$ 2,255,021</u>	<u>\$ 2,230,106</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND
STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2006 and 2005 (Restated)

	2006	Restated 2005
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	\$ 912,361	\$ 802,693
Hurricane relief contributions	17,940	519,507
Children's home offerings	99,723	151,954
Special events	11,700	16,785
Child care support	6,081,509	5,463,271
Independent living services	146,239	189,696
Federal subgrants for child care	149,942	125,935
Family development services	70,339	58,096
Training fees and evaluation	37,093	39,439
Trust funds	76,559	56,336
Interest income	37,993	14,093
Dividend income	19,800	21,400
Outdoor wilderness learning	98,575	75,891
Management fees	157,190	127,320
Grant Income	20,000	
Miscellaneous income	32,684	23,003
Total revenue and support	\$ 7,969,647	\$ 7,685,419
EXPENSES		
Administrative and general	\$ 1,477,845	\$ 1,284,678
Hurricane relief to others	271,456	
Plant operation and maintenance	619,616	557,863
Medical and nursing	171,380	163,986
Dietary	552,166	499,309
Emergency shelter care	373,724	370,577
Child Specific Program	283,918	218,460
Residential group care	957,013	723,348
Recreational	208,284	188,594
Educational services	468,028	453,065
Pastoral care	77,730	77,836
Family development service	196,995	184,833
Clinical services	698,754	656,837
Life skills service	143,512	187,940
Outdoor wilderness learning	229,375	198,237
Public relations and development	400,352	389,394
Capital expenditures	40,807	34,827
Changing attitudes and behavior program	1,658,753	1,557,078
Family plus	341,787	166,077
Total expenses	\$ 9,171,495	\$ 7,912,939
REVENUE (DEFICIENCY) OVER EXPENSES	\$ (1,201,848)	\$ (227,520)
NET ASSETS TRANSFERRED FROM OTHER FUNDS	\$ 1,080,800	\$ 813,750
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (121,048)	\$ 586,230
CHANGE IN TEMPORARILY RESTRICTED ASSETS		
Net realized and unrealized gain (loss) on investments	\$ 5,011	\$ 5,868
INCREASE (DECREASE) IN RESTRICTED ASSETS	\$ 5,011	\$ 5,868
INCREASE (DECREASE) IN NET ASSETS	\$ (116,037)	\$ 592,098
NET ASSETS AT BEGINNING OF YEAR (Restated - See Note 12)	1,764,204	1,172,106
NET ASSETS AT END OF YEAR	\$ 1,648,167	\$ 1,764,204

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND
STATEMENTS OF CASH FLOWS
As of December 31, 2006 and 2005 (Restated)**

	2006	Restated 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from services	\$ 6,704,114	\$ 5,903,548
Cash received from contributions	1,019,261	1,474,971
Income from trust funds	76,559	77,272
Interest received	37,993	14,093
Dividends received	19,800	21,400
Miscellaneous receipts	125,647	111,668
Transfer from other funds	1,080,800	813,750
Cash paid to employees and suppliers	(9,000,950)	(7,825,570)
Net cash provided (used) by operating activities	\$ 63,224	\$ 591,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (40,807)	\$ (34,827)
Transfers from fixed asset fund		
Net cash provided (used) in investing activities	\$ (40,807)	\$ (34,827)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 22,417	\$ 556,305
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,048,528	492,223
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,070,945	\$ 1,048,528
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (116,037)	\$ 592,098
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) Decrease in accounts receivable and pledges	13,727	(82,468)
(Increase) Decrease in prepaid expenses	(11,214)	(7,517)
(Increase) Decrease in anonymous trust	8,077	7,829
(Increase) Decrease in cash surrender value of life insurance	(13,088)	(13,697)
Increase (Decrease) in accounts payable	120,473	38,578
Increase (Decrease) in accrued wages	20,479	21,482
Purchase of property and equipment	40,807	34,827
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 63,224	\$ 591,132

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**ENDOWMENT FUND
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2006 and 2005**

ASSETS	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and cash equivalents - Argent Trust - custodian	\$ 502,974	\$ 1,239,558
Accrued interest and dividends	<u>32,710</u>	<u>20,319</u>
Total current assets	<u>\$ 535,684</u>	<u>\$ 1,259,877</u>
Long-Term Investments		
Investments - Argent Trust - custodian	\$ 9,198,800	\$ 7,687,060
Investments - Capital One Bank - custodian	<u>15,080,775</u>	<u>14,263,818</u>
Total long-term investments	<u>\$ 24,279,575</u>	<u>\$ 21,950,878</u>
Total Assets	<u>\$ 24,815,259</u>	<u>\$ 23,210,755</u>
NET ASSETS		
Unrestricted net assets	<u>\$ 24,815,259</u>	<u>\$ 23,210,755</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**ENDOWMENT FUND
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

	2006	2005
REVENUE		
Contribution income	\$ 500	\$ 200,000
Dividend income	242,698	166,400
Interest income	71,619	46,740
Income from pooled funds	785,109	717,270
Realized and unrealized gain (loss) on investments	1,603,738	281,882
	\$ 2,703,664	\$ 1,412,297
EXPENSES		
Management and custody fees	\$ 42,715	\$ 35,840
Foreign tax paid	2,939	
	\$ 45,654	\$ 35,840
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 2,658,010	\$ 1,376,452
OTHER CHANGES IN NET ASSETS		
Transfer to operating fund	(1,080,000)	(813,750)
Transfer from local investment fund (net)	26,494	1,293,540
CHANGE IN UNRESTRICTED NET ASSETS	\$ 1,604,504	\$ 1,856,242
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	23,210,755	21,354,513
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 24,815,259	\$ 23,210,755

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**ENDOWMENT FUND
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contribution received	\$ 500	\$ 200,000
Interest received	68,397	52,177
Dividends received	233,529	163,668
Income from pooled funds	785,109	717,271
Transfers to operating fund	(1,080,000)	(813,750)
Cash paid to suppliers of services and taxes	<u>(45,654)</u>	<u>(35,840)</u>
Net cash provided (used) by operating activities	\$ <u>(38,119)</u>	\$ <u>283,526</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of securities	\$ 5,008,009	\$ 3,511,581
Transfer (to) from local investment fund	26,494	1,293,540
Purchase of securities	<u>(5,732,968)</u>	<u>(3,964,420)</u>
Net cash (used) provided by investing activities	\$ <u>(698,465)</u>	\$ <u>840,701</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (736,584)	\$ 1,124,227
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,239,558</u>	<u>115,331</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 502,974</u>	<u>\$ 1,239,558</u>
RECONCILIATION OF CHANGES TO NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	\$ 1,604,504	\$ 1,856,243
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) Decrease in receivables	(12,391)	2,705
Net realized and unrealized loss (gains) on investments	(1,603,738)	(281,882)
Transfers from other funds	<u>(26,494)</u>	<u>(1,293,540)</u>
NET CASH PROVIDED (USED) BY OPERATIONS	<u>\$ (38,119)</u>	<u>\$ 283,526</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**LOCAL INVESTMENT FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005**

ASSETS	<u>2006</u>	<u>2005</u>
Current assets		
Cash and cash equivalents	\$ 2,172,021	\$ 2,657,917
Accounts receivable	49,772	115,033
Unconditional promises to give - temporarily restricted (net of \$0 and \$7,609 uncollectible allowance for 2006 and 2005)		31,338
Board and employees promises to give - temporarily restricted	<u>2,500</u>	<u>3,850</u>
Total current assets	<u>\$ 2,224,293</u>	<u>\$ 2,808,138</u>
Long-term investments		
Stocks and bonds	\$ 23,100	\$ 23,100
Louise Briley Leake Trust Fund - temporarily restricted	797,106	741,379
Hattie Jordan Trust Fund - temporarily restricted	164,684	159,422
Loraine Howard Property	462,035	462,035
R.D. Shelley Property	801	801
L.V. Lindingham Property	100	100
A.P. White Property	59,000	59,000
Bates Property		30,000
Board and employees promises to give - temporarily restricted	18,400	19,400
Georgia W. Peniston Trust Fund - temporarily restricted	<u>345,025</u>	<u>308,922</u>
Total long-term investments	<u>\$ 1,870,251</u>	<u>\$ 1,804,159</u>
Total assets	<u>\$ 4,094,544</u>	<u>\$ 4,612,297</u>
LIABILITIES		
Accounts payable	<u>\$ 141,919</u>	<u>\$ 0</u>
NET ASSETS		
Unrestricted	\$ 2,624,910	\$ 2,147,986
Temporarily restricted	<u>1,327,715</u>	<u>2,464,311</u>
	<u>\$ 3,952,625</u>	<u>\$ 4,612,297</u>
Total liabilities and net assets	<u>\$ 4,094,544</u>	<u>\$ 4,612,297</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**LOCAL INVESTMENT FUND
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

	2006	2005
UNRESTRICTED REVENUE AND SUPPORT		
Loraine Howard Property	\$ 337,274	\$ 268,755
R.D. Webb Property	296,562	307,468
Shelley Property	68,579	55,209
Other investment property	2,918	1,784
Trust Funds	18,146	6,330
Wills and bequests	228,339	420,383
Contributions and memorials	34,900	904,780
Contributions - employees and board	27,325	149,482
Interest income	29,838	4,264
Dividend income	1,118	1,524
Income from pooled funds	92,319	31,782
Miscellaneous income	40,266	
Gain (Loss) on sale of assets	(195)	31,984
Capital campaign fund	80	1,900
	<u>\$ 1,177,469</u>	<u>\$ 2,185,645</u>
Total unrestricted revenue and support		
	<u>\$ 1,177,469</u>	<u>\$ 2,185,645</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	<u>\$ 1,257,668</u>	<u>\$ 164,941</u>
EXPENSES		
Administrative and general	\$ 79,417	\$ 146,072
Capital expenses	<u>1,852,302</u>	<u>578,247</u>
	<u>\$ 1,931,719</u>	<u>\$ 724,319</u>
Total expenses		
	<u>\$ 1,931,719</u>	<u>\$ 724,319</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 503,418</u>	<u>\$ 1,626,767</u>
OTHER CHANGES IN NET ASSETS		
Transfer (to) from Endowment Fund (Net)	<u>\$ (26,494)</u>	<u>\$ (1,293,540)</u>
	<u>\$ (26,494)</u>	<u>\$ (1,293,540)</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>\$ 476,924</u>	<u>\$ 333,227</u>
CHANGE IN TEMPORARILY RESTRICTED ASSETS		
Net realized and unrealized gain in investments	\$ 97,092	\$ 14,767
Contributions	21,480	1,200,000
Private report	2,500	
Net assets released from restrictions	<u>(1,257,668)</u>	<u>(164,941)</u>
	<u>\$ (1,136,596)</u>	<u>\$ 1,049,826</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (659,672)</u>	<u>\$ 1,383,053</u>
NET ASSETS - BEGINNING OF YEAR	<u>4,612,297</u>	<u>3,229,244</u>
NET ASSETS - END OF YEAR	<u>\$ 3,952,625</u>	<u>\$ 4,612,297</u>

The accompanying notes are an integral

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**LOCAL INVESTMENT FUND
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, wills and bequests	\$ 348,405	\$ 2,759,294
Income from trust funds	24,476	5,206
Interest received	29,838	4,264
Miscellaneous receipts	40,466	31,884
Dividends and pooled funds	93,543	920
Receipts from investment properties	763,865	553,956
Cash paid to suppliers	<u>(78,467)</u>	<u>(100,354)</u>
Net cash provided by operating activities	<u>\$ 1,222,126</u>	<u>\$ 3,255,170</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer (to) from Endowment Fund (Net)	\$ (26,494)	\$ (1,293,540)
Capital purchases for Plant Fund	(1,711,333)	(578,247)
Proceeds from sale of assets (Net)	<u>29,805</u>	<u>42,174</u>
Net cash used by investing activities	<u>\$ (1,708,022)</u>	<u>\$ (1,829,613)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	\$	\$
Payment of short-term debt	<u>0</u>	<u>0</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ (485,896)</u>	<u>\$ 1,425,557</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,657,917</u>	<u>1,232,360</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,172,021</u>	<u>\$ 2,657,917</u>
RECONCILIATION OF CHANGES TO NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (659,672)	\$ 1,383,053
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss on sale of assets	195	
(Increase) Decrease in receivables and promises to give	94,361	7,941
Realized and unrealized (gains) losses on investments	(97,092)	14,767
Transfer to (from) other funds	26,494	1,293,540
Purchase of property and equipment	1,711,333	578,247
Non-cash wills and bequests and contributions		(20,255)
Uncollected pledge accounts	4,588	16,328
Increase (Decrease) in accounts payable	<u>141,919</u>	<u>(18,451)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,222,126</u>	<u>\$ 3,255,170</u>
INTEREST PAID	<u>\$ 0</u>	<u>\$ 0</u>
INCOME TAXES PAID	<u>\$ 11,481</u>	<u>\$ 0</u>

The accompanying notes are an integral

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL FIXED ASSETS
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2006 and 2005**

ASSETS	<u>2006</u>	<u>2005</u>
Property and equipment		
Autos, trucks and buses	\$ 508,575	\$ 454,230
Tractors and ground equipment	124,118	106,264
Furniture, fixtures and equipment	2,008,110	1,777,643
Building and improvements	9,754,461	9,378,023
Land and land improvements	<u>130,091</u>	<u>122,952</u>
	\$ 12,525,335	\$ 11,839,112
Less: Accumulated depreciation	<u>(5,088,924)</u>	<u>(4,609,294)</u>
	<u>\$ 7,436,431</u>	<u>\$ 7,229,818</u>
Construction in progress	<u>\$ 1,263,039</u>	<u>\$ 134,959</u>
Total Assets	<u>\$ 8,699,470</u>	<u>\$ 7,364,777</u>
 INVESTMENT IN GENERAL FIXED ASSETS		
Fund balance - General fixed assets	<u>\$ 8,699,470</u>	<u>\$ 7,364,777</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL FIXED ASSETS
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
EXPENSES		
Provision for depreciation	\$ 534,277	\$ 512,630
Loss on assets abandoned or sold	<u>23,339</u>	<u>15,875</u>
EXCESS OF EXPENSES OVER REVENUE	\$ (557,616)	\$ (528,505)
ACQUISITION OF PROPERTY AND EQUIPMENT WITH TRANSFERS FROM OTHER CURRENT FUNDS	1,893,109	613,074
PROCEEDS OF ASSETS SOLD TRANSFERRED TO OTHER FUNDS	<u>(800)</u>	<u>0</u>
CHANGE IN NET ASSETS	\$ 1,334,693	\$ 84,569
NET ASSETS - BEGINNING OF YEAR	<u>7,364,777</u>	<u>7,280,208</u>
NET ASSETS - END OF YEAR	<u>\$ 8,699,470</u>	<u>\$ 7,364,777</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL FIXED ASSETS
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash transferred (to) other funds	\$ <u>800</u>	\$ <u>0</u>
Net cash provided (used) by operating activities	\$ <u>(800)</u>	\$ <u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	\$ <u>800</u>	\$ <u>0</u>
Net cash provided by investing activities	\$ <u>800</u>	\$ <u>0</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	\$ <u>0</u>	\$ <u>0</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,334,693	\$ 84,569
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	534,277	512,630
Loss on assets abandoned or sold	23,339	15,875
Transfer (from) other funds	(1,893,109)	(613,074)
Transfer to other funds	<u>800</u>	<u>0</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 0</u>	<u>\$ 0</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Louisiana United Methodist Children and Family Services, Inc. is a Louisiana non-profit corporation owned by the Louisiana Annual Conference of the United Methodist Church. All powers and authority of Louisiana United Methodist Children and Family Services, Inc. (the Organization) shall be vested in and exercised by a Board of Directors and the property, business and affairs of the corporation shall be managed under the direction of the Board. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Louisiana United Methodist Children and Family Services, Inc. (sometimes doing business as "The Louisiana Methodist Children's Home") seeks to minister to the diverse needs of Louisiana's children and families experiencing stress, brokenness and other special circumstances. The Organization was formed for educational, eleemosynary literary, scientific, and charitable objectives and purpose. The Organization develops, administers and operates various residential and outpatient programs. These programs provide valuatve, therapeutic, educational, recreational and social services for the youth and their families.

The Organization receives a significant portion of its revenue from grants/contracts from government agencies; thus, the Organization is subject to possible cutbacks due to changes in funding priorities. During 2006 and 2005, the Organization received approximately 54 and 51 percent, respectively, of its gross public support from such grants/contracts.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Organization 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. No permanently restricted assets were held during 2006 and 2005 and accordingly, these financials do not reflect any activity related to this class of net assets for 2006 and 2005.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those assumed in valuing promises to give, the market values of investments, expected return on investments, estimated life expectancies, and the useful lives of depreciable assets. It is at least possible that the significant estimates will change within the next year.

Accounts Receivables

Louisiana United Methodist Children and Family Services, Inc. routinely grants clients and clients' families credit for their services. The Organization also receives pledges that represent receivables.

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The policy for charging off uncollectible client service receivables is as follows: A monthly collection notice will be sent for two months with a follow up call from the accounting bookkeeper in the second month. If the client account remains open for a third month a letter from the vice president is sent. If the child is in one of the residential programs this will jeopardize their continued placement unless it is for the safety of the child and a decision will be made by the Organization's administration with input from the treatment team. If an account is greater than \$1,500 a letter from the Organization's attorney will be sent to the family requesting payment with further legal action as needed. Accounts less than \$1,500 will be turned over to a collection agency. Debts for client care will be written off only when all reasonable attempts at recovery have been taken and it is not cost effective to continue the process.

The policy for charging off uncollectible pledge receivables is as follows: Contributors who make pledges will be sent reminders from the development department. If the pledge is not given in the time specified or within one year thereafter, the account will be recommended to the president/CEO of the Organization for write off.

An allowance for uncollectible related to services and cost reimbursement totaled \$3,128 and \$20,918 as of December 31, 2006 and 2005, respectively. Also, an allowance related to unconditional promise to give totaled \$100 and \$300 as of December 31, 2006 and 2005, respectively.

The president/CEO or his/her designee must approve all debts for write off after being satisfied that the recovery procedure have been complied with and that all reasonable attempts at recovery have been satisfied.

Donated Property and Services

Donated securities and property are recognized at fair market value at the time the assets are made available to the Organization. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise.

Plant and Equipment

Fixed assets are recorded at cost if purchased or market value at time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/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.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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.

The Organization primarily receives only unrestricted contributions with the exception of certain bequests of future interest in testamentary trusts; these net assets are temporarily restricted by the donor until the trust matures at some future date and unconditional promises to give to be received in future periods.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Credit Risk

The Organization maintains cash accounts in various institutions with locations in Ruston, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006 and 2005, the Organization's uninsured cash balances totaled \$1,896,091 and \$456,698 with \$1,935,755 and \$1,094,533 secured by repurchase agreements.

NOTE 2 - DEFINED CONTRIBUTION PLAN

The Louisiana United Methodist Children and Family Services, Inc. sponsors full-time employees with more than twenty-four (24) months of service in the Lay Employee's Pension Fund of the United Methodist Church whereby it matches the employee's 3% minimum contribution two for one for a total cost to the Corporation of 6% of participating employees' gross earnings. Contributions by the Organization totaled \$170,186 for 2006 and \$151,655 for 2005.

NOTE 3 - INVESTMENTS

The Organization's investments and certain cash and cash equivalents are held primarily by a national investment banking and financial services company and managed by an investment advisor in accordance with the terms of an investment advisory agreement.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Pursuant to paragraph 22 of FASB statement No. 117, Financial Statements of Not-For-Profit Organizations, gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments in unlisted securities where market is not readily attainable are carried at cost. A recap of such debt and equity securities is as follows:

	<u>2006</u>	<u>2005</u>
Local Investment Fund		
Equity securities - cost	\$ <u>23,100</u>	\$ <u>23,100</u>
 Net income for years - Local Investment Fund		
Interest	\$ 29,838	\$ 4,264
Dividends	<u>1,118</u>	<u>1,524</u>
	<u>\$ 30,956</u>	<u>\$ 5,788</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (Cont'd)

2006 Investments

ENDOWMENT FUND

	Cost Basis	Fair Market Basis	Unrealized Gain (Loss)	Weighted Current Yield	
Argent Trust Company - Ruston, LA					
Cash Equivalents	\$ 502,974	\$ 502,974		4.93%	
Mutual Funds					
Mutual Funds - Int'l Equity	\$ 388,740	\$ 480,789	\$ 92,049	0.99%	
Mutual Funds - Equity	174,140	223,486	49,346	0.00%	
Mutual Funds - Fixed Income	430,000	440,415	10,415	4.95%	
Mutual Funds - Closed End Fund- Fixed Income	157,763	153,890	(3,873)	5.26%	
Mutual Funds - Closed End Fund- Equity	850,000	909,785	59,785	0.00%	
Mutual Funds - Other	182,571	256,413	73,842	1.91%	
Total Mutual Funds	\$ 2,183,214	\$ 2,464,778	\$ 281,564		
Equities					
Common Stock	\$ 2,889,193	\$ 3,713,389	\$ 824,196	1.39%	
Foreign Equities	1,371,533	1,582,227	210,694	1.13%	
Total Equities	\$ 4,260,726	\$ 5,295,616	\$ 1,034,890		
	Face Amount				
U.S. GOVERNMENT SECURITIES					
Federal Home Loan Bank Call 6/15/06 @ 5.55% 9/15/09	\$ 150,000	\$ 150,000	\$ (234)	5.51%	
FHLMC Call 5/17/07 @ 5.5% 5/17/10	100,000	100,000	62	5.55%	
Federal Home Mortgage Assn 2/28/11 @ 5.6% 2/28/11	100,000	100,000	99,625	(375)	5.62%
Federal Home Loan Bank Call 5/9/08 @ 5.67% 5/9/11	100,000	100,000	100,188	188	5.66%
Federal Home Loan Bank Call 5/19/09 @ 5.435% 5/19/11	100,000	100,000	100,500	500	5.41%
Federal Farm Credit Call 6/1/06 @ 5.7% due 3/1/12	100,000	100,000	99,625	(375)	5.72%
Federal Home Loan Bank @ 6% 4/4/16	200,000	200,000	199,750	(250)	6.01%
FNMA Step Call 9/21/07 @ 5.5% 9/21/18	250,000	250,000	246,562	(3,438)	5.58%
Federal Home Loan Bank Step 12/16/08 @ 4%	100,000	100,000	99,656	(344)	4.01%
Federal Home Loan Bank Call 9/14/07 @ 3.35%	100,000	100,000	98,719	(1,281)	3.39%
Federal Home Loan Bank Step 7/9/13 @ 3%	150,000	147,750	143,953	(3,797)	3.91%
Total Fixed Income Securities	\$ 1,447,750	\$ 1,438,406	\$ (9,344)		
The United Methodist Foundation of LA					
Pooled Income Funds	\$ 16,000,490	\$ 15,080,775	\$ (919,715)	4.75%	
Endowment Fund Total Investments	\$ 23,892,180	\$ 24,279,575	\$ 387,395		
TOTAL STOCKS, BONDS, AND NOTES	\$ 23,915,280	\$ 24,302,675	\$ 387,395		

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (Cont'd)

2005 Investments

ENDOWMENT FUND

Argent Trust Company - Ruston, LA

	<u>Cost Basis</u>	<u>Fair Market Basis</u>	<u>Unrealized Gain (Loss)</u>	<u>Weighted Current Yield</u>
Cash Equivalents	\$ 1,239,558	\$ 1,239,558		2.40%
Mutual Funds				
Mutual Funds - Int'l Equity	\$ 534,022	\$ 846,833	\$ 312,811	1.37%
Mutual Funds - Equity	303,636	370,821	67,185	0.47%
Mutual Funds - Fixed Income	328,708	324,646	(4,062)	4.28%
Mutual Funds - Closed End Fund- Fixed Income	135,844	130,630	(5,214)	6.75%
Mutual Funds - Closed End Fund- Equity	770,000	819,475	49,475	0.00%
Mutual Funds - Other	182,571	228,805	46,234	1.78%
Total Mutual Funds	<u>\$ 2,254,781</u>	<u>\$ 2,721,210</u>	<u>\$ 466,429</u>	
Equities				
Common Stock	2,994,430	3,350,721	356,291	1.42%
Foreign Equities	507,906	604,682	96,776	1.84%
Total Equities	<u>\$ 3,502,336</u>	<u>\$ 3,955,403</u>	<u>\$ 453,067</u>	
	<u>Face Amount</u>			
Fixed Income Securities				
US Trsy bond due 7/15/06 @ 7.00	\$ 310,000	\$ 312,298	\$ 1,771	6.91%
Federal Home Loan Bank Due 7/16/06 @4.15	350,000	350,000	(547)	4.16%
Federal Home Loan Bank Step 7/16/08 @ 3%	100,000	100,000	(937)	3.53%
Federal Home Loan Bank Calla 9/14/07 @ 3.35%	100,000	99,750	(250)	3.43%
Federal Home Loan Bank Step 7/09/13 @ 3%	150,000	148,112	(37)	3.41%
Total Fixed Income Securities	<u>\$ 1,010,447</u>	<u>\$ 1,010,447</u>	<u>\$ (0)</u>	
<u>The United Methodist Foundation of LA</u>				
Pooled Income Funds	\$ 15,952,811	\$ 14,263,818	\$ (1,688,993)	4.88%
Endowment Fund Total Investments	<u>\$ 22,720,375</u>	<u>\$ 21,950,878</u>	<u>\$ (769,497)</u>	
TOTAL STOCKS, BONDS, AND NOTES	<u>\$ 22,743,475</u>	<u>\$ 21,973,978</u>	<u>\$ (769,497)</u>	

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (Cont'd)

	<u>2006</u>	<u>2005</u>
Net income for years - Endowment Fund		
Interest	\$ 71,619	\$ 46,740
Dividends	242,698	166,400
Income from pooled funds	785,109	717,270
Realized and unrealized gains and losses	<u>1,603,738</u>	<u>281,882</u>
	<u>\$ 2,703,164</u>	<u>\$ 1,212,292</u>

Local Investment Fund

In 1996, the Organization received a bequest from the Estate of Louise Briley Leake in the form of an interest in a testamentary trust whereby the income will be paid annually and the trust principal distributed to the Organization twenty-five years from the death of the donor. The bequest was recorded at fair value. Annual changes in fair value are reported as unrealized gain or loss and an increase in temporarily restricted assets. This trust fund was valued at \$797,106 and \$741,379 for 2006 and 2005, respectively.

During 2000, the Organization received a bequest from the Estate of Hattye Jordan. The Hattye Recoulley Jordan Charitable Remainder Unitrust has Hibernia National Bank as trustee and the Organization will receive the assets of the trust upon the death of a life recipient. The assets of the trust were valued based upon available market rates discounted for the life expectancy of the recipient. The market values of the trusts were \$285,834 and \$285,501 for 2006 and 2005 and the discounted values were \$164,684 and \$159,422 for 2006 and 2005, respectively.

On May 4, 1991, the Organization received a bequest from the Estate of Georgia Westbrook Peniston. The "Georgia Westbrook Peniston and Henry Denipham Peniston - Children's Home Scholarship Trust" has the Bank One trust department as trustee. After two (2) special bequests of a time certain (which have been completed) there is one life recipient receiving \$1,000 per month. Upon the death of the life recipient the Organization will receive one-third (1/3) of the assets of the trust. The market values of the assets of this trust as of December 31, 2006 and 2005 were \$1,109,112 and \$1,006,396 and the discounted one-third (1/3) interest of the assets of the trust were \$345,025 and \$308,922, respectively.

The Organization records unrealized gains and losses of securities held by the various trusts in the Statement of Activities as increases or decreases in temporarily restricted net assets.

Operating Fund

During 2003, the Organization became a beneficiary of an Anonymous Charitable Lead Annuity Trust. Under the terms of the Trust the Organization will receive the sum of (\$2,500 quarterly) \$10,000 annually for ten (10) years. The gift has been discounted based upon the expected rate of return of 3.13%. The Bank One trust department is the trustee. The total discounted value as of December 31, 2006 and 2005 was \$56,380 and \$64,457, respectively.

The Organization owns two (2) cash surrender value split dollar life insurance policies. The policies were originally issued by New England Mutual Life Insurance Co., which merged into Met Life on August 30, 1996. The policies were issued on the lives of two (2) officers of the Organization with current annual premiums of \$2,500 each paid with paid-up additional insurance surrendered. The original investments for each policy in paid-up additional insurance were \$70,000 and \$75,000, respectively. The increase in cash surrender value of life insurance for the years ended December 31, 2006 and 2005 were \$13,088 and \$13,697, respectively. The cash surrender values of the policies as of December 31, 2006 and 2005 were \$256,437 and \$243,349, respectively.

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CONCENTRATION REVENUES AND ACCOUNTS RECEIVABLE

Louisiana United Methodist Children and Family Services, Inc.'s residential treatment programs serve children primarily from Louisiana. Fees for these services are paid primarily by governmental agencies of Louisiana under contracts which the Organization executes annually. The Organization is reimbursed by the agencies for actual client days based on a per diem rate established in accordance with Louisiana law. The contracts may be terminated by either party with thirty days notice and are subject to the availability and appropriation of federal and/or state funds. Revenue from this service totaled \$6,081,509 and \$5,463,271 for 2006 and 2005, respectively.

Accounts receivable arise from the normal course of providing these services and are not secured. An allowance for uncollectible accounts of \$3,128 and \$20,918 for 2006 and 2005, respectively, has been provided for accounts receivable, and cost reimbursement receivables related to services.

Promises to give - temporarily restricted are receivables from donors who have in writing committed to contribute to the Organization. Promises to give - temporarily restricted are pledges temporarily restricted to purchase capital assets and renovate existing buildings and facilities. Pledges expected to be received within the next twelve (12) months are classified as current assets. All pledges are expected to be received within the next five (5) years. (See Note 7.)

NOTE 5 - PLANT AND EQUIPMENT

Fixed assets are recorded at cost if purchased at market value at time of donation.

The major categories of fixed assets are as follows:

2006	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and improvements	\$ 130,091	\$ (29,600)	\$ 100,491
Buildings and improvements	9,754,461	(3,545,104)	6,209,357
Furniture and fixtures	1,643,140	(867,897)	775,243
Office furniture and equipment	364,970	(316,243)	48,727
Automobiles, trucks and vans	508,575	(241,422)	267,153
Tractors and other equipment	124,118	(88,658)	35,460
Construction in progress	1,263,039		1,263,039
Totals	\$ 13,788,394	\$ (5,088,924)	\$ 8,699,470

Construction in progress consisted of the outdoor wilderness maze and bunkhouse that were not completed as of December 31, 2006.

2005	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and improvements	\$ 122,952	\$ (27,097)	\$ 95,855
Buildings and improvements	9,378,023	(3,278,595)	6,099,428
Furniture and fixtures	1,412,673	(705,554)	707,119
Office furniture and equipment	364,970	(290,444)	74,526
Automobiles, trucks and vans	454,230	(223,206)	231,024
Tractors and other equipment	106,264	(84,398)	21,866
Construction in progress	134,959		134,959
Totals	\$ 11,974,071	\$ (4,609,294)	\$ 7,364,777

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PLANT AND EQUIPMENT (Cont'd)

The depreciation expense was \$534,277 and \$512,630 for the years ended December 31, 2006 and 2005, respectively.

The following is a summary of depreciable lives by category based on a straight-line method of depreciation:

Land and improvements	20 and 30 years
Building and improvements	5, 10, 15, 20, 25, 30, 40, and 50 years
Furniture and fixtures	3, 5, 10, 15, and 25 years
Office furniture and equipment	3, 5, 10, 15, and 25 years
Automobiles, trucks and vans	5 and 10 years
Tractors and other equipment	5 and 10 years

2006 Donated Assets

For the year ended December 31, 2006 asset additions included an animal (a quarter horse mare) with an estimated market value of \$1,500.

2005 Donated Assets

For the year ended December 31, 2005 asset additions included a four person golf cart donated with an estimated market value of \$8,584.

NOTE 6 - SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Independent Living Services Program consists of two contracts. Contract A is a nonmatching program with 100% reimbursement for personnel and related benefits cost. These costs are classified directly as independent living services expenditures in the financial statements. Contract B is a 50/50 matching program in which the organization is reimbursed for expenditures equal to its inkind or cash contribution. These costs are allocated to independent living based on detailed ledgers maintained by the organization. These costs consist of allocated portions of administrative overhead, salaries and related benefits, travel, operating services supplies, professional services capital outlay, and miscellaneous. The organization does not reclassify these allocated portions as independent living services expenditures for financial statement purposes. Total revenue from this service totaled \$146,239 and \$189,697 for 2006 and 2005, respectively.

The Child Abuse Counseling Program subgrant requires a 20% match and the Violence Prevention Program subgrant is a nonmatching program with 100% reimbursement for personnel, related benefits and contract services. Revenue from these programs totaled \$31,952 and \$31,924 for 2006 and 2005, respectively.

NOTE 7 - RELATED PARTY

The unconditioned promises to give - temporarily restricted as of December 31, 2006 and 2005 includes a total of \$20,900 and \$23,250 in pledges by employees, officers and Board members of the Organization. Total contributions received from them totaled \$71,751 and \$149,482 during 2006 and 2005, respectively. Of the \$20,900 and \$23,250, \$2,500 and \$3,850 of the pledges are due within twelve (12) months and \$18,400 and \$19,400 of the pledges are due after twelve (12) months, as of December 31, 2006 and 2005, respectively.

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LAWSUITS

The Organization was involved in the following lawsuits as of December 31, 2006:

"Shannon Leigh Lambert v. State of Louisiana through the Office of Community Services and the Department of Social Services" filed August 23, 2002 by petition. This lawsuit involves an original claim by the minor against the State of Louisiana for improper placement of the minor at the Organization. On May 1, 2003, the state filed a Third Party Demand against the Organization alleging inadequate supervision and also claiming indemnity pursuant to a licensing agreement. The state filed an Amended Third Party Demand on January 13, 2004. The Organization, through its general liability insurer's attorney has vigorously contested liability and damages. The Organization's insurance settled this case subsequent to year end. The Organization had adequate insurance to cover the claim.

NOTE 9 - NET ASSETS - TEMPORARILY RESTRICTED

The balances of net assets - temporarily restricted consists of the following:

	<u>2006</u>	<u>2005</u>
Operating Fund		
Long-term investments		
Anonymous Charitable Lead Annuity Trust	\$ 56,380	\$ 64,457
Local Investment Fund		
Current assets		
Contributions for construction		1,200,000
Promises to give - temporarily restricted (net)	2,500	35,188
Other assets		
Promises to give - temporarily restricted (net)	18,400	19,400
Long-term investments		
Leake Testamentary Trust	797,106	741,379
H.R. Jordan Charitable Remainder Trust	164,684	159,422
G.W. Peniston Home Scholarship Trust	<u>345,025</u>	<u>308,922</u>
Balances at year end	<u>\$ 1,384,095</u>	<u>\$ 2,528,768</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - HURRICANE RELIEF CONTRIBUTIONS

The Children's Special Fund was established to support the ministries of both the New Orleans Methodist Home for Children and the Louisiana United Methodist Children and Family Services, Inc. in caring for the needs of both agencies following Hurricane Katrina. Due to the relocation of the New Orleans Methodist Home for Children and the additional expenses to the Ruston Facility and the loss of revenue from the donor base for both institutions the funds donated will be used in the following manner:

To reimburse expenses for the New Orleans Methodist Home for Children to relocate back to New Orleans that are not reimbursable from the state, insurance or FEMA.

To provide income for the care of the youth from New Orleans until new donor base can be established.

To reimburse Louisiana United Methodist Children and Family Services, Inc. for destruction to the facilities that occurred from the youth from New Orleans during their stay at the facilities that FEMA may not pay.

To provide income for the care of the youth until new donor base can be established from the area hit by the hurricane.

To reimburse Louisiana United Methodist Children and Family Services, Inc. for services provided to the New Orleans Methodist Home for Children that were not reimbursed per-written agreement.

The Chief Executive Officers of both agencies will agree upon all funds dispersed.

NOTE 11 - INCOME TAXES

The Organization has paid income taxes based upon income reported by 'S' Corporation earnings. Total income tax expense for the years 2006 and 2005 were \$2,891 and \$3,793, respectively, on income of \$20,273 and \$26,286, respectively.

NOTE 12 - PRIOR PERIOD RESTATEMENT

The Organization has recorded cash surrender value of split dollar life insurance purchased on two of its officers with an annual premium of \$2,500 for each policy. The values of the two policies for the period ended December 31, 2004 were \$114,615 and \$115,037, respectively. The \$229,652 total value has been recorded in the general operating fund as a prior period adjustment effective December 31, 2004. The financial statements for the year ended December 31, 2005 have been restated to reflect activity related to these policies. (See Note 3 - Investments)

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006**

<u>Federal Grants/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
United States Administration for Children and Families, Department of Health and Human Services				
Louisiana Department of Social Services, Office of Community Services				
Independent Living Program (3 year)	93.674	\$ 379,500	\$ 122,606	\$ 120,546
Positive Youth Development Contract (2 year)	93.658	36,320	4,553	1,260
Educational Training and Vouchers Program (3 year)	93.599	120,741	19,080	21,535
United States Department of Justice Office of Justice Programs, Office for Victims of Crimes				
Northwest Law Commission Family Strengthening Program				
Juvenile Justice Delinquency Prevention	16.540	7,843	7,843	4,624
Louisiana Commission on Law Enforcement Child Abuse Counseling Program	16.575	<u>30,825</u>	<u>24,109</u>	<u>24,109</u>
Total Federal Awards		<u>\$ 575,229</u>	<u>\$ 178,191</u>	<u>\$ 172,075</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006**

1. General

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Louisiana Methodist Children and Family Services, Inc. The Organization did not pass through any of its federal awards to a subrecipient during the year.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting as contemplated under accounting principles generally accepted in the United States of America and which is the same basis of accounting used for presenting the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

REVENUE AND SUPPORT	<u>2006</u>	<u>2005</u>
Contributions		
Contributions - undesignated	\$ 289,797	\$ 169,304
Memorials	186,364	184,192
Direct appeals	178,746	202,260
Sponsorships	88,745	78,021
Honorarium	55,237	48,186
Wilderness project donations	3,075	1,824
Circle of Friends	109,260	116,344
United Way	<u>1,137</u>	<u>2,562</u>
Total contributions	<u>\$ 912,361</u>	<u>\$ 802,693</u>
Children's Home Offerings	<u>\$ 99,723</u>	<u>\$ 151,954</u>
Special Events	<u>\$ 11,700</u>	<u>\$ 16,785</u>
Child Care Support		
Child care support (TIPS)	\$ 2,374,495	\$ 1,889,142
Child care support (DOC)	754,131	715,330
Child care support (CAB)	2,766,959	2,760,821
Child care support (Private)	58,289	(20,982)
Alternate care	<u>127,635</u>	<u>118,960</u>
Total child care support	<u>\$ 6,081,509</u>	<u>\$ 5,463,271</u>
Independent Living Service (Federal Subgrants)		
Independent Living Grants	\$ 122,606	\$ 130,684
Positive Youth Development Grant	4,553	9,306
Educational Training Voucher Program	<u>19,080</u>	<u>49,706</u>
	<u>\$ 146,239</u>	<u>\$ 189,696</u>
Federal Subgrants		
Child abuse counseling	<u>\$ 31,952</u>	<u>\$ 31,924</u>
Family Plus - LA Conference Foundation Grant	<u>\$ 142,099</u>	<u>\$ 118,671</u>
Family Development Services		
Client fees	\$ 70,339	\$ 58,096
Evaluation fees	8,151	7,572
Psychiatrist fees	1,335	3,958
United Way Grant	<u>3,498</u>	<u>3,249</u>
Total family development	<u>\$ 83,323</u>	<u>\$ 72,875</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

REVENUE AND SUPPORT (Cont'd)	<u>2006</u>	<u>2005</u>
Trust Funds		
Pomeroy Trust	\$ 17,350	\$ 6,759
R.J. Wilson Trust	7,249	10,303
Conference Fund Trusts	10,516	31,444
Leake Trust	33,171	
Ed and Gladys Hurley Trust	2,000	
Hearne Family Trust	6,273	
Anonymous Trust		7,830
	<u>76,559</u>	<u>56,336</u>
Total trust funds	\$ <u>76,559</u>	\$ <u>56,336</u>
INTEREST AND DIVIDENDS	<u>\$ 57,793</u>	<u>\$ 35,493</u>
OUTDOOR WILDERNESS PROJECT INCOME	<u>\$ 98,575</u>	<u>\$ 75,891</u>
MANAGEMENT FEES	<u>\$ 157,190</u>	<u>\$ 127,320</u>
GRANT INCOME	<u>\$ 20,000</u>	<u>\$ 0</u>
MISCELLANEOUS INCOME	<u>\$ 32,684</u>	<u>\$ 23,003</u>
TOTAL INCOME	<u>\$ 7,951,707</u>	<u>\$ 7,165,912</u>
EXPENSES		
Administrative and General		
Salaries	\$ 789,042	\$ 713,663
Payroll taxes	54,816	48,946
Employee benefits	152,036	133,812
Advertising and promotion	4,906	2,334
Dues and licenses	8,807	8,003
Insurance	290,798	190,581
Office supplies	27,802	26,584
Postage	9,539	8,470
Professional services	25,625	24,800
Legal expenses	424	5,729
Subscriptions	921	746
Telephone	41,463	41,777
In-service training	2,427	2,226
Travel and seminar	15,631	12,390
Miscellaneous	2,971	2,040
Office and equipment maintenance contracts	38,473	42,268
Accreditation	9,306	16,958
Banking and processing fees	2,858	3,351
	<u>1,477,845</u>	<u>1,284,678</u>
Total administrative and general	\$ <u>1,477,845</u>	\$ <u>1,284,678</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

EXPENSES (Cont'd)	<u>2006</u>	<u>2005</u>
Plant Operation and Maintenance		
Salaries	\$ 114,969	\$ 115,387
Payroll taxes	8,485	8,676
Employee benefits	9,885	15,221
Contract for outside services	25,192	31,292
Maintenance - buildings and grounds	4,316	5,000
Repairs - buildings and grounds	78,346	60,448
Major repairs and replacements	15,617	9,212
Supplies	2,884	1,431
Utilities	292,873	264,253
Vehicle gas, oil and repairs	66,665	46,943
Miscellaneous	384	
	<u>\$ 619,616</u>	<u>\$ 557,863</u>
Total plant operation and maintenance		
Medical and Nursing		
Salaries	\$ 90,063	\$ 87,563
Payroll taxes	6,238	6,526
Employee benefits	11,827	6,090
Medical service - routine res	603	613
Medical service - routine ESC-CAB	667	318
Medical service - extraordinary - res	113	450
Medical service - extraordinary ESC-F	87	51
Medical service - extraordinary -ESC-CAB	60	94
Medical supplies - res	4,378	4,143
Medical supplies - ESC-F	1,054	1,182
Medical supplies - Child Specific	573	511
Medical supplies - CAB	2,820	2,747
Employee drug screens	2,065	
OSHA required vaccination	8,240	4,368
Psychiatrist - res	17,140	20,148
Psychiatrist - CAB	25,452	29,182
	<u>\$ 171,380</u>	<u>\$ 163,986</u>
Total medical and nursing		
Dietary		
Salaries	\$ 184,034	\$ 166,412
Payroll taxes	14,100	12,774
Employee benefits	19,752	17,958
Food - res	144,737	133,902
Food - ESC - females	34,823	34,960
Food - Child Specific	17,380	14,440
Food - CAB	96,686	86,644
Food - special	19,779	9,116
Supplies	15,274	17,254
Dietitian consultant	5,400	5,400
Training		251
Miscellaneous	201	198
	<u>\$ 552,166</u>	<u>\$ 499,309</u>
Total dietary		

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

EXPENSES (Cont'd)	<u>2006</u>	<u>2005</u>
Emergency Shelter Care		
Housekeeping		
Salaries	\$ 1,705	\$ 1,141
Supplies	<u>5,034</u>	<u>1,860</u>
Total housekeeping	<u>\$ 6,739</u>	<u>\$ 3,001</u>
Laundry and Linen		
Supplies	\$ 479	\$ 599
Linen and bedding	<u>8</u>	<u>117</u>
Total laundry and linen	<u>\$ 487</u>	<u>\$ 716</u>
Personal Client Needs		
Allowances	\$ 1,254	\$ 1,063
Personal hygiene	1,415	863
Clothing	3,157	3,282
Other	<u>110</u>	<u>188</u>
Total personal client needs	<u>\$ 5,936</u>	<u>\$ 5,396</u>
Therapeutic and Training		
Salaries - clerical	\$ 4,282	\$ 4,219
Salaries - child care worker	300,659	299,944
Payroll taxes	23,052	22,610
Employee benefits	29,190	31,982
Miscellaneous	<u>3,379</u>	<u>2,709</u>
Total therapeutic and training	<u>\$ 360,562</u>	<u>\$ 361,464</u>
Total emergency shelter care	<u>\$ 373,724</u>	<u>\$ 370,577</u>
Child Specific		
Housekeeping		
Salaries	\$ 714	\$ 511
Employee benefits		814
Supplies	<u>1,596</u>	<u>1,328</u>
Total housekeeping	<u>\$ 2,310</u>	<u>\$ 2,653</u>
Laundry and Linen		
Supplies	<u>\$ 150</u>	<u>\$ 177</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

EXPENSES (Cont'd)	<u>2006</u>	<u>2005</u>
Child Specific (Cont'd)		
Personal Client Needs		
Allowances	\$ 1,408	\$ 1,477
Personal hygiene	1,139	1,077
Clothing	1,002	327
Other	<u>55</u>	<u>191</u>
Total personal client needs	\$ <u>3,604</u>	\$ <u>3,072</u>
Therapeutic and Training		
Salaries - clerical	\$ 3,241	\$ 2,378
Salaries - child care	243,815	186,768
Payroll taxes	18,220	13,990
Employee benefits	11,322	8,555
Miscellaneous	<u>1,256</u>	<u>867</u>
Total therapeutic and training	\$ <u>277,854</u>	\$ <u>212,558</u>
Total child specific	\$ <u>283,918</u>	\$ <u>218,460</u>
Residential Group Care		
Housekeeping		
Supplies	\$ 18,720	\$ 15,537
Linen and bedding	79	1,320
Miscellaneous	<u>652</u>	<u>124</u>
Total housekeeping	\$ <u>19,451</u>	\$ <u>16,981</u>
Personal Client Needs		
Allowance	\$ 12,761	\$ 11,251
Personal hygiene	8,552	6,833
Miscellaneous	646	640
Clothing	24,602	21,962
Visitation and transportation	<u>1,721</u>	<u>3,257</u>
Total personal client needs	\$ <u>48,282</u>	\$ <u>43,943</u>
Therapeutic and Training		
Salaries - child care	\$ 780,379	\$ 574,300
Payroll taxes	57,124	42,220
Employee benefits	39,247	36,004
Miscellaneous	910	1,473
Training	<u>5,768</u>	<u>4,500</u>
Total therapeutic and training	\$ <u>883,428</u>	\$ <u>658,497</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

EXPENSES (Cont'd)	<u>2006</u>	<u>2005</u>
Residential Group Care (Cont'd)		
Recreational		
Supplies	\$ 455	\$ 925
House activities fund	<u>5,397</u>	<u>3,002</u>
Total recreational	<u>\$ 5,852</u>	<u>\$ 3,927</u>
Total residential group care	<u>\$ 957,013</u>	<u>\$ 723,348</u>
Recreational		
Salaries	\$ 155,803	\$ 141,761
Payroll taxes	11,684	10,849
Employee benefits	18,406	14,376
Supplies	4,112	6,901
Activities fund	3,363	3,268
Training	558	461
Miscellaneous	311	25
Summer trip	8,705	7,252
Golf tournament	<u>5,342</u>	<u>3,701</u>
Total recreational	<u>\$ 208,284</u>	<u>\$ 188,594</u>
Educational Services		
Salaries	\$ 350,100	\$ 349,548
Payroll taxes	25,832	24,719
Employee benefits	45,033	53,251
School fees and tutorial	4,815	3,945
Supplies	35,673	16,349
Other	<u>6,575</u>	<u>5,253</u>
Total educational services	<u>\$ 468,028</u>	<u>\$ 453,065</u>
Pastoral Care		
Salaries	\$ 41,559	\$ 40,640
Payroll taxes	425	404
Employee benefits	16,775	15,854
Housing allowance	14,400	14,400
Supplies	3,210	3,631
Activities	223	794
Training	520	
Miscellaneous		27
Travel	<u>618</u>	<u>2,086</u>
Total pastoral care	<u>\$ 77,730</u>	<u>\$ 77,836</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

EXPENSES (Cont'd)	2006	2005
Family Development Services		
Salaries	\$ 158,420	\$ 150,223
Payroll taxes	11,474	10,924
Employee benefits	21,201	14,778
Supplies	2,014	1,270
Professional services	683	4,358
Travel	1,365	1,253
Professional training	1,668	1,828
Miscellaneous	170	199
	<u>\$ 196,995</u>	<u>\$ 184,833</u>
Clinical Services		
Salaries	\$ 574,027	\$ 532,566
Payroll taxes	41,150	38,018
Employee benefits	75,217	78,087
Therapeutic supplies	1,132	1,707
Training	7,228	6,459
	<u>\$ 698,754</u>	<u>\$ 656,837</u>
Life Skills Services		
Salaries	\$ 85,110	\$ 81,950
Payroll taxes	6,065	5,716
Employee benefits	12,582	17,083
Incentive payment to clients	3,400	4,500
Travel and seminar	3,310	6,107
Supplies	7,917	13,250
Operation service equipment	1,702	
Training meals	1,074	798
Miscellaneous	4,351	11,087
Education register fee	170	
Telephone	280	271
Education and training voucher	17,551	47,178
	<u>\$ 143,512</u>	<u>\$ 187,940</u>
Total life skills services	<u>\$ 143,512</u>	<u>\$ 187,940</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

EXPENSES (Cont'd)	<u>2006</u>	<u>2005</u>
Outdoor Wilderness Learning		
Salaries	\$ 112,258	\$ 100,974
Payroll taxes	8,406	7,454
Employee benefits	13,957	15,205
Training and challenge course	7,864	5,850
Utilities	18,872	17,907
Supplies - O.W.L.	8,995	6,819
Supplies - farm	17,916	13,128
Equipment and building repairs	8,663	5,135
Hot house supplies	22,944	22,614
Miscellaneous	5,093	2,142
Veterinarian fees	4,407	1,009
	<u>229,375</u>	<u>198,237</u>
Total outdoor wilderness learning	\$ 229,375	\$ 198,237
Public Relations and Development		
Salaries	\$ 215,527	\$ 202,208
Payroll taxes	15,708	14,779
Employee benefits	20,605	15,985
Advertising	4,644	1,803
Supplies	4,758	3,843
Telephone	2,277	2,384
Web page	767	1,079
Printing - direct	36,834	33,486
Printing - offerings	7,120	4,658
Printing - special	23,232	19,092
Postage	37,647	36,198
Professional fees		
Travel and seminar	10,787	14,993
Professional training	2,435	1,839
Regional development activities	674	4,828
Special events	11,457	7,554
Miscellaneous	1,257	1,725
Contract services	228	11,993
Grant proposals	3,345	5,834
Area breakfast programs	1,050	5,113
	<u>400,352</u>	<u>389,394</u>
Total public relations and development	\$ 400,352	\$ 389,394
C. A. B. Program		
Housekeeping		
Salaries	\$ 21,432	\$ 32,867
Payroll taxes	1,454	1,041
Employee benefits	150	
Supplies	13,596	10,709
Linen and bedding	1,733	1,797
	<u>38,365</u>	<u>46,414</u>
Total housekeeping	\$ 38,365	\$ 46,414

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

EXPENSES (Cont'd)	<u>2006</u>	<u>2005</u>
C. A. B. Program (Cont'd)		
Personal client needs		
Allowance	\$ 7,090	\$ 7,104
Personal hygiene	4,360	4,013
Christmas and birthdays	713	422
Clothing	12,388	13,957
Miscellaneous	<u>80</u>	<u>689</u>
Total personal client needs	<u>\$ 24,631</u>	<u>\$ 26,185</u>
Therapeutic and Training		
Salaries - clerical	\$ 22,172	\$ 21,285
Salaries - child care workers	1,387,992	1,283,982
Payroll taxes	106,573	98,356
Employee benefits	66,167	66,981
Supplies	4,431	5,366
Training	3,386	3,213
Activities	2,421	2,218
Miscellaneous	<u>2,615</u>	<u>3,078</u>
Total therapeutic and training	<u>\$ 1,595,757</u>	<u>\$ 1,484,479</u>
Total C. A. B. Program	<u>\$ 1,658,753</u>	<u>\$ 1,557,078</u>
Family Plus		
Baton Rouge region		
Salaries	\$ 35,022	\$ 33,332
Payroll taxes	3,029	2,448
Employee benefits	1,309	2,397
Miscellaneous	351	
Supplies	1,624	556
Office expense	1,214	1,745
Telephone	4,079	2,983
Travel	2,776	4,405
Training	1,080	3,603
Printing	<u>450</u>	
Total Baton Rouge Region	<u>\$ 50,934</u>	<u>\$ 51,469</u>
Ruston Region		
Salaries	\$ 48,335	\$ 44,000
Payroll taxes	5,164	3,240
Employee benefits	7,940	8,013
Miscellaneous		693
Supplies	295	394
Telephone	2,576	700
Travel	5,935	4,103
Training	703	1,051
Printers	<u>506</u>	<u>42</u>
Total Ruston Region	<u>\$ 71,454</u>	<u>\$ 62,236</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**GENERAL OPERATING FUND DETAIL
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2006 and 2005**

EXPENSES (Cont'd)	<u>2006</u>	<u>2005</u>
Monroe Region		
Salaries	\$ 66,174	\$ 17,263
Payroll taxes	4,144	1,341
Employee benefits	2,494	50
Miscellaneous	4,582	325
Supplies	2,103	800
Telephone	3,702	1,205
Travel	9,030	1,800
Training	40	166
Printing	<u>533</u>	<u> </u>
Total Monroe Region	<u>\$ 92,802</u>	<u>\$ 22,950</u>
Shreveport Region		
Salaries	\$ 71,565	\$ 15,601
Payroll taxes	4,617	1,214
Employee benefits	1,803	50
Miscellaneous	7,029	335
Supplies	3,837	1,190
Telephone	4,294	1,390
Travel	7,400	1,900
Training	872	1,000
Printing	<u>619</u>	<u> </u>
Total Shreveport Region	<u>\$ 102,036</u>	<u>\$ 22,680</u>
Pineville Region		
Salaries	\$ 18,829	\$ 1,695
Payroll taxes	1,029	130
Employee benefits	70	50
Miscellaneous	42	317
Supplies	798	1,250
Telephone	1,109	1,300
Travel	1,448	1,000
Training	897	1,000
Printing	<u>339</u>	<u> </u>
Total Pineville Region	<u>\$ 24,561</u>	<u>\$ 6,742</u>
Total Family Plus	<u>\$ 341,787</u>	<u>\$ 166,077</u>
EXPENSES (Cont'd)		
Capital Expenditures	<u>\$ 40,807</u>	<u>\$ 34,827</u>
Furniture and fixtures	<u>40,807</u>	<u>34,827</u>
Total Capital Expenditures	<u>\$ 40,807</u>	<u>\$ 34,827</u>
Total Expenses	<u>\$ 8,900,039</u>	<u>\$ 7,912,939</u>

**LOUISIANA UNITED METHODIST CHILDREN
AND FAMILY SERVICES, INC.**

**STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
For The Year Ended December 31, 2006 and 2005**

<u>2006</u>	Land and Improvements	Buildings and Improvements	Construction in Progress	Autos Furniture and Equipment	Total
GENERAL FIXED ASSETS- BEGINNING OF YEAR	\$ 122,952	\$ 9,378,023	\$ 134,959	\$ 2,338,137	\$ 11,974,071
Transfers	\$ 0	\$ 134,959	\$ (134,959)	\$ 0	\$ 0
Additions					
General operating fund	\$ 0	\$ 5,775		\$ 35,032	\$ 40,807
Local investment fund	7,139	238,156	1,263,039	343,968	1,852,302
Total additions	\$ 7,139	\$ 243,931	\$ 1,263,039	\$ 379,000	\$ 1,893,109
Retirements					
General fixed assets	\$ 0	\$ 2,452	\$ 0	\$ 76,334	\$ 78,786
GENERAL FIXED ASSETS- END OF YEAR	<u>\$ 130,091</u>	<u>\$ 9,754,461</u>	<u>\$ 1,263,039</u>	<u>\$ 2,640,803</u>	<u>\$ 13,788,394</u>
<u>2005</u>	Land and Improvements	Buildings and Improvements	Construction in Progress	Autos Furniture and Equipment	Total
GENERAL FIXED ASSETS- BEGINNING OF YEAR	\$ 110,531	\$ 9,192,700	\$ 0	\$ 2,127,158	\$ 11,430,389
Additions					
General operating fund	\$ 0	\$ 2,440	\$ 0	\$ 32,387	\$ 34,827
Local investment fund	12,421	200,383	134,959	230,484	578,247
Total additions	\$ 12,421	\$ 202,823	\$ 134,959	\$ 262,871	\$ 613,074
Retirements					
General fixed assets	\$ 0	\$ 17,500	\$ 0	\$ 51,892	\$ 69,392
GENERAL FIXED ASSETS- END OF YEAR	<u>\$ 122,952</u>	<u>\$ 9,378,023</u>	<u>\$ 134,959</u>	<u>\$ 2,338,137</u>	<u>\$ 11,974,071</u>

MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN
CERTIFIED PUBLIC ACCOUNTANTS

2120 FORSYTHE AVENUE
P.O. Box 4550
MONROE, LOUISIANA 71211-4550

WWW.MONROECPAS.COM

OSCAR C. ROBINSON, JR., CPA

A PROFESSIONAL CORPORATION

C. DENNIS GARDNER, CPA

A PROFESSIONAL CORPORATION

TIMMY R. LANGSTON, CPA

A PROFESSIONAL CORPORATION

RUSSELL B. BRYAN, CPA

A PROFESSIONAL CORPORATION

GENE E. MINCHEW, CPA

RETIRED

TELEPHONE
(318) 323-4481

FACSIMILE
(318) 323-2188

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

To the Board of Directors of
Louisiana United Methodist Children and Family Services, Inc.

We have audited the financial statements of Louisiana United Methodist Children and Family Services, Inc. (a nonprofit organization) as of and for the years ended December 31, 2006 and 2005 (restated) and have issued our report thereon dated April 14, 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 Louisiana United Methodist Children and Family Services, Inc.'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 Louisiana United Methodist Children and Family Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Organization's ability in 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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies, Item 2006-1, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency , or combination of 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 Organization's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

To the Board of Directors of
Louisiana United Methodist Children and Family Services, Inc.
April 14, 2007
page 2

Compliance and Other Matters

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

Louisiana United Methodist Children and Family Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Louisiana United Methodist Children and Family Services, Inc.'s response and, accordingly, we express no opinion on it.

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

Minchew, Robinson, Gardner, Langston, and Bryan, CPAs

*Minchew, Robinson, Gardner,
Langston & Bryan CPAs*

Louisiana United Methodist Children and Family Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2006

We have audited the financial statements of the Louisiana United Methodist Children and Family Services, Inc. As of and for the year ended December 31, 2006, and have issued our report thereon dated March 2, 2006. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2006, resulted in an unqualified opinion.

Internal Controls Over Financial Reporting- Significant Deficiencies

2006-1 *Segregation of Duties*

Condition

For the year ended December 31, 2006, from time to time due to lack of available employees the same person performed the duties of receiving certain checks through the mail, preparing deposits and maintaining the general ledger.

Recommendation

The duties of reconciling the accounts receivable should be assigned to someone independent of other cash functions. Cash receipts and accounts receivable are a vital internal control procedure, and should be performed by someone who is not responsible for recording and maintaining the general ledger. A separation of duties in the area of cash receipts and general ledger access are essential to the internal control of the organization.

Management's Response

Management agrees with the recommendation.

Corrective Action

Subsequent to the December 31, 2006 year end, management did implement controls that ensured the segregation of duty and timely completion of accounts receivable reconciliation. They have hired an individual independent from the general ledger duties to reconcile accounts receivable and to prepare the deposits.

Material Weakness(es) Identified? Yes No

Noncompliance material to financial statements noted? Yes No

**Louisiana United Methodist Children and Family Services, Inc.
Ruston, Louisiana
Corrective Action Plan for Current Year Audit Findings
Schedule for Louisiana Legislative Auditor
Year Ended December 31, 2006**

There was one finding in current year audit for the year ended December 31, 2006, as described in the accompanying Schedule of Findings and Questioned Costs. There are no management letter comments for the current year audit for the year ended December 31, 2006.