

St. Johns Little Lambs Day Care Center, Inc.

FINANCIAL STATEMENTS AND
ACCOUNTANTS' COMPILATION REPORT

May 31, 2023

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ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
St. Johns Little Lambs Day Care Center, Inc.
Lake Charles, Louisiana

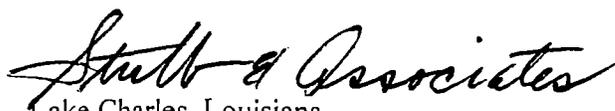
Management is responsible for the accompanying financial statements of St. Johns Little Lambs Day Care Center, Inc., (Day Care) (nonprofit organization), which comprise the statement of financial position as of May 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The Day Care has fixed assets, in accordance with accounting principles generally accepted in the United States of America, that should be presented as assets and depreciated over the useful life. Management has informed us that they do not maintain a depreciation schedule to properly present the fixed assets. Management has not determined the effect of this departure on the financial statements.

The Day Care has not presented information about expenses reported by their functional classifications in the statement of activities or the notes to the financial statements. The Day Care has not presented information regarding the defined benefit pension plan in accordance with generally accepted accounting principles.

Supplementary Information

The supplemental schedule of expenses, the schedule of compensation, benefits, and other payments to agency head or chief executive officer, and the schedule of prior year audit findings are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.



Lake Charles, Louisiana
October 31, 2023

St. Johns Little Lambs Day Care Center, Inc.
STATEMENT OF FINANCIAL POSITION
May 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 340,000
Receivables	
Tuition	6,175
Due from employee	<u>246</u>
Total Receivables	<u>6,421</u>
Total Current Assets	<u><u>346,421</u></u>

TOTAL ASSETS \$ 346,421

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Payroll Liabilities	\$ <u>3,187</u>
Total Current Liabilities	3,187

NET ASSETS

Without donor restrictions	276,772
With donor restrictions	<u>66,462</u>
Total Net Assets	<u><u>343,234</u></u>

TOTAL LIABILITIES AND NET ASSETS \$ 346,421

See accompanying notes and accountants' report

St. Johns Little Lambs Day Care Center, Inc.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Tuition	\$ 392,099	\$ -	\$ 392,099
Childcare Assistance Program	114,297	-	114,297
Grant Revenue	-	77,500	77,500
Interest	11	-	11
	<u>506,407</u>	<u>77,500</u>	<u>583,907</u>
Total Revenue and Gains			
Net Assets Released from Restrictions	<u>238,252</u>	<u>(238,252)</u>	<u>-</u>
Total Revenue, Support, and Gains	744,659	(160,752)	583,907
 Expenses			
Personnel and Benefits	491,984	-	491,984
Operational	99,740	-	99,740
Occupancy	54,507	-	54,507
Building and Maintenance	66,241	-	66,241
	<u>712,472</u>	<u>-</u>	<u>712,472</u>
Total Expenses			
Increase (Decrease) in Net Assets	32,187	(160,752)	(128,565)
 Net Assets at Beginning of Year	<u>244,585</u>	<u>227,214</u>	<u>471,799</u>
 Net Assets at End of Year	<u>\$ 276,772</u>	<u>\$ 66,462</u>	<u>\$ 343,234</u>

See accompanying notes and accountants' report

St. Johns Little Lambs Day Care Center, Inc.
STATEMENT OF CASH FLOWS
For the year ended May 31, 2023

Cash Flows from Operating Activities	
Change in Net Assets	\$ (128,565)
Adjustments to reconcile change in Net Assets	
Decrease (Increase) in operating assets	
Accounts receivable	18,090
Increase (Decrease) in operating liabilities	
Accounts payable	(2,737)
Payroll Liabilities	(14,474)
Total Adjustments	<u>879</u>
Net Cash Provided by Operating Activities	(127,686)
Cash - Beginning of Year	<u>467,686</u>
Cash - End of Year	<u><u>\$ 340,000</u></u>

See accompanying notes and accountants' report

St. Johns Little Lambs Day Care Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2023

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of St. Johns Little Lambs Day Care Center, Inc. (the Day Care) is presented to assist in understanding the Day Care's financial statements.

Nature of Operations

St. Johns Little Lambs Day Care Center, Inc. is a branch of St. John Lutheran Church (the Church), organized as a not-for-profit organization with the State of Louisiana in 1980. The Day Care's purpose is to provide childcare to members and non-members in the surrounding community that is focused on Christian values and beliefs. The Day Care is an additional outlet for the Church to spread the Gospel throughout the community.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset categories:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Day Care considers all short-term investments with an original maturity of one year or less when purchased to be cash equivalents.

Accounts Receivables

Accounts receivable are stated at unpaid balances. Management believes all balances are fully collectible.

St. Johns Little Lambs Day Care Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS – (continued)

May 31, 2023

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Tuition and grant revenue is recorded when earned. Revenue that is restricted is reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized. All other restricted revenue is reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Tuition is paid weekly or monthly as specified in the attendance agreement. Tuition rates vary depending on attendance – full day or half day and days of the week. Discounts are offered for multi-child families.

Childcare Assistance Program funds are received from the Louisiana Department of Education for qualifying tuition assistance based on eligibility requirements.

American Rescue Plan Act (ARPA) Stabilization Grants were issued to assist child care providers in response to issues arising as a result of COVID 19. The grants were paid based on the Day Care's licensed capacity. The funds can be used to recover past financial losses and to pay for current operating expenses. The Day Care received \$227,214 of American Rescue Plan Act Stabilization Grants to be spent on future operating expenses and is included as restricted revenue for the year ending May 31, 2022. The Day Care received \$77,500 of American Rescue Plan Act Stabilization Grants to be spent on future operating expenses and is included as restricted revenue for the year ending May 31, 2023 (Note B).

Tax Exempt Status

As a branch of St. John Lutheran Church, the Day Care is exempt from federal income taxes under Internal Revenue Code 501(c)(3). Unrelated business income, of which there was none for the year ended May 31, 2023, would be subject to federal income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

NOTE B RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions for the year ended May 31, 2023 were as follows:

Specific Purpose - ARPA Grant - Program related expenditures	<u>\$66,462</u>
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St. Johns Little Lambs Day Care Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS – (continued)

May 31, 2023

NOTE C LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Day Care regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The following reflects the Day Care’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets available to meet cash needs for general expenditures within one year of May 31, 2023:

Cash and cash equivalents	\$340,000
Receivables	<u>6,421</u>
Financial assets at year-end	346,421
Less those unavailable for general expenditures within one year due to:	
Donor-restricted to program related expenditures	<u>(66,462)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$279,959</u>

NOTE D RELATED PARTIES

The Day Care operates as a branch of the Church. The Day Care facility is owned by the Church. The Day Care pays rent on a month to month basis and reimburses the Church monthly for expenses paid on their behalf. Total payments to the Church for the year ended May 31, 2023 were as follows:

Employee benefits	\$43,669
Accounting support	8,050
Occupancy - Rent	12,000
Occupancy – Insurance	30,000
Occupancy - Utilities	12,886
Building and Maintenance	<u>14,700</u>
	<u>\$121,305</u>

NOTE E COMPENSATED ABSENCES

Annual leave is available to year-round employees for a maximum of 2 weeks per year depending on years of service. Three days sick leave per year is available to all employees. Annual and sick leave is expensed when paid. All leave is non-cumulative.

St. Johns Little Lambs Day Care Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS – (continued)

May 31, 2023

NOTE F CONCENTRATIONS

The Day Care maintains its cash accounts in a commercial bank. Accounts at the commercial bank are insured by the FDIC insurance up to \$250,000. As of May 31, cash in the amount of \$82,865 exceeded FDIC coverage and therefore was uninsured.

The Day Care receives a substantial amount of support from the Church. A significant reduction in this support, if it were to occur, would affect the Day Care's programs and activities.

NOTE G DEFINED BENEFIT PLAN

The Day Care participates in a defined benefit pension plan (the Plan) covering employees serving The Lutheran Church – Missouri Synod (Synod) whose customary employment is for over 20 hours per week and at least five months per year. The Plan excludes temporary, probationary, and part-time workers. Employer contributions rates are established by the Board of Trustees to fund benefits earned under the Plan provisions. Pension benefits are generally calculated based on the worker's salary, creditable service, and integration level. This benefit is fully vested after five years of creditable service. The Day Care's funding policy is to make the minimum monthly contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The total Plan contributions by the Day Care remitted to the Church during the year ending May 31, 2023 were \$14,544.

Church plan status exempts the Plan from certain provisions of the Employee Retirement Income Security Act of 1974. The following table sets forth further information about the total Pension Plan included in the Concordia Retirement Plan audit report as of December 31, 2022:

Pension Plan obligations and funded status (in thousands):

Projected benefit obligation at December 31	\$4,527,519
Net assets available for benefits at fair value at December 31	\$3,843,305

NOTE H SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 31, 2023, which is the date the financial statements were available to be issued.

St. Johns Little Lambs Day Care Center, Inc.
SUPPLEMENTAL SCHEDULE OF EXPENSES
For the year ended May 31, 2023

Personnel and Benefits	
Salaries	\$ 413,013
Payroll taxes	31,785
Employee benefits	<u>47,186</u>
Total Personnel and Benefits	491,984
Operational	
Groceries	24,946
Supplies	15,447
Professional	42,570
Office expense	<u>16,777</u>
Total Operational	99,740
Occupancy	
Rent	12,000
Insurance	30,000
Utilities	<u>12,507</u>
Total Occupancy	54,507
Building and Maintenance	<u>66,241</u>
Total Expenses	<u><u>\$ 712,472</u></u>

See accompanying notes and accountants' report

St. Johns Little Lambs Day Care Center, Inc.

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

For the Year ended May 31, 2023

AGENCY HEAD NAME: Rebecca Yelverton, Executive Director

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	\$63,537
Benefits	
Insurance	18,190
Retirement	5,188
Payroll Taxes	<u>4,861</u>
TOTAL	<u><u>\$91,776</u></u>

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

May 31, 2023

Current Audit

A current year audit was not performed.

Prior Audit

2022-1

Overall inadequate design and implementation of internal controls

Criteria: Adequate internal controls are a basic requirement of every accounting function. As part of an adequate system of internal control, certain accounting functions should include internal control aspects of the control environment, risk assessment, information and communication, and monitoring.

Response: The Day Care is in the process of implementing written policies and procedures that maintain adequate internal controls over the entire accounting functions.

Current Status: Not resolved. The Day Care is still in the process of implementing written policies and procedures that maintain adequate internal controls over the entire accounting functions.

2022-2

Segregation of duties over cash receipts and disbursements

Criteria: Adequate internal controls over cash receipts and disbursements require segregation of duties between record-keeping, custody, and review/reconciliation of cash accounts.

Response: The Day Care is in the process of implementing policies and procedures that include proper segregation of duties and approval for processing cash receipts and disbursements.

Current Status: Resolved.

2022-3

Bank Reconciliations

Criteria: An adequate system of internal controls includes timely monthly reconciliations of all cash accounts.

Response: The Day Care is in the process of implementing policies and procedures for bank reconciliations to include performing timely monthly reconciliations of all bank accounts and research transactions that are outstanding more than six months. The reconciliations will be reviewed by a board member independent of the cash function.

Current Status: Resolved.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2022-4

Failure to Reconcile Accounts Receivable

Criteria: An adequate system of internal controls includes reconciling the accounts receivable sub-ledger to the general ledger on a regular basis. It also includes reviewing the aged accounts receivable report at least monthly to ensure that the recording of transactions are accurate and proper and that any adjustments or write-offs of accounts receivable have been properly recorded and approved.

Response: The Day Care is in the process of implementing policies and procedures to maintain segregation of duties and proper controls over accounts receivable that include reconciling, reviewing, and investigating discrepancies on the aged accounts receivable report.

Current Status: Resolved.

2022-5

Inadequate Controls Over Cash Disbursements

Criteria: Adequate internal controls regarding cash disbursements should include maintaining adequate and appropriate supporting documentation for purchases including an approved check request, invoice, or purchase order.

Response: The Day Care is in the process of implementing policies and procedures regarding cash disbursements that include adequate segregation of duties, maintaining adequate, appropriate supporting documentation, and approval processes.

Current Status: Resolved.

2022-6

Improper use of Day Care Funds

Criteria: Louisiana revised statute 42:1461 states officials and employees of any “public entity” assume a personal obligation not to misappropriate, misapply, convert, misuse or otherwise wrongfully take any funds, property or other thing of value belonging to or under custody control of the public entity in which they are employed.

Response: The Day Care plans to discontinue the use of the debit card.

Current Status: Resolved.

2022-7

Budget

Criteria: Our request for annual budgets and budget comparison reports revealed there was an absence of preparing annual budgets and budget comparison reports.

Response: The Day Care will prepare an annual budget and monitor the budget on a monthly basis and address whether an amendment to the budget is necessary each month.

St. John Little Lambs Day Care Center, Inc.
Lake Charles, Louisiana

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Current Status: Not resolved. The Day Care will prepare an annual budget and monitor the budget on a monthly basis and address whether an amendment to the budget is necessary each month.

2022-8

Grant Reimbursements

Criteria: The Day Care was the recipient of several COVID relief grants.

Response: The Day Care is in the process of implementing policies and procedures to ensure adequate controls over grant reporting and compliance.

Current Status: Not resolved. The Day Care is still in the process of implementing policies and procedures to ensure adequate controls over grant reporting and compliance.

2022-9

Lease with St. John Lutheran Church

Criteria: The Day Care operates as a branch of the St. John Lutheran Church. The Day Care facility is owned by the Church, but there is no lease agreement between the two parties.

Response: The Day Care will meet with the governing members of the Church to determine terms for a lease. They also plan to review all shared costs and determine a monthly reimbursement amount or reasonable calculation of same.

Current Status: Not resolved. The Day Care will meet with the governing members of the Church to determine terms for a lease. They also plan to review all shared costs and determine a monthly reimbursement amount or reasonable calculation of same.

2022-10

Segregation of duties over payroll

Criteria: Adequate internal controls over payroll require segregation of duties between record-keeping, custody of the payroll funds, and review/reconciliation of payroll-related accounts.

Response: The Day Care is in the process of implementing policies and procedures that include proper segregation of duties for payroll processing.

Current Status: Resolved.

2022-11

Compliance with IRS Wage Reporting

Criteria: Wages paid to employees must be reported as compensation on the employees' W-2 for federal income tax purposes.

Response: The Day Care will include all payroll checks in the payroll system and reconcile the total payroll costs to the total reported wages prior to filing Federal Forms W-3 and W-2.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Current Status: Resolved.

2022-12

Capital Asset Inventory

Criteria: Our request for capital asset listings and depreciation schedules revealed there was an absence of maintaining capital asset records.

Response: The Day Care is in the process of implementing policies and procedures to ensure they maintain a complete and accurate inventory listing of capital assets they own.

Current Status: Not resolved. The Day Care is still in the process of implementing policies and procedures to ensure they maintain a complete and accurate inventory listing of capital assets they own.

2022-13

Documentation of Board Meetings

Criteria: The Day Care is governed by a board of directors that attempts to meet once a month to review and discuss the operations and business of the Day Care.

Response: The Board of Directors will maintain official minutes of each meeting including all actions taken during the meetings. The official minutes will be reviewed and approved at the subsequent meeting.

Current Status: Resolved.

2022-14

Prior Reporting to the Legislative Auditor

Criteria: The Louisiana audit law requires annual sworn financial statements and certification of public revenues of \$75,000 or less to be filed with the Louisiana Legislative Auditor within 90 days of the end of the entity's fiscal year. The Day Care failed to submit annual sworn financial statements to the Louisiana Legislative Auditor's Office by the statutory due date for fiscal years ending prior to June 1, 2021.

Response: The sworn financial statements for the year ending May 31, 2021 were submitted to the Louisiana Legislative Auditor on October 10, 2022.

Current Status: Resolved.

2022-15

Reporting to the Legislative Auditor

Criteria: The Louisiana audit law requires annual audited financial statements to be filed with the Louisiana Legislative Auditor within six months of the end of the entity's fiscal year. The Day Care failed to submit annual audited financial statements to the Louisiana Legislative Auditor's Office by the statutory due date for the year ending May 31, 2022.

St. John Little Lambs Day Care Center, Inc.
Lake Charles, Louisiana

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Response: The Day Care will implement policies and procedures to ensure compliance with the Louisiana audit law.

Current Status: Resolved.