CLOVER, INC.
AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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Wegmann Dazet
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clover, Inc. and Affiliates
New Orleans, Louisiana

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Clover, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clover, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Clover, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clover, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not

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detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Clover, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clover, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the accompanying schedule of compensation, benefits and other payments to agency heads are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of Clover, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clover, Inc. and Affiliates' internal control over financial reporting and compliance.

Metairie, Louisiana
March 31, 2023

Wegmann Dazet

CLOVER, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,615,779	$ 929,176	$ 2,544,955	$ 2,517,885
Promises to give	354,537	638,891	993,428	1,272,032
Accounts receivable				
Government contracts	803,696	-	803,696	190,940
Other	7,067	-	7,067	275,106
Investments	2,278,999	-	2,278,999	2,338,313
Prepaid expenses	392,067	-	392,067	318,182
Total current assets	5,452,145	1,568,067	7,020,212	6,912,458
Cash held for acquisition of property	-	-	-	38,610
Promises to give, long term, net	-	354,996	354,996	720,433
Long-term investments				
Endowment	-	306,820	306,820	354,293
Beneficial interest in assets held by GNOF	-	292,193	292,193	98,940
Notes receivable	-	-	-	5,348,000
Property and equipment, net	11,330,326	-	11,330,326	12,252,672
Total assets	$ 16,782,471	$ 2,522,076	$ 19,304,547	$ 25,725,406
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 1,140,368	$ -	$ 1,140,368	$ 709,921
Accrued payroll and related liabilities	466,465	-	466,465	413,895
Current portion of long-term debt	152,287	-	152,287	258,115
Line of credit	300,000	-	300,000	-
Refundable advances	227,711	-	227,711	619,095
Total current liabilities	2,286,831	-	2,286,831	2,001,026
Long-term debt, less current portion	1,063,635	-	1,063,635	8,908,760
Total liabilities	3,350,466	-	3,350,466	10,909,786
NET ASSETS				
Without donor restrictions				
Undesignated	11,153,007	-	11,153,007	9,843,764
Designated by the Board	2,278,998	-	2,278,998	2,338,313
With donor restrictions				
Perpetual in nature	-	599,013	599,013	453,233
Purpose restrictions	-	1,923,063	1,923,063	2,180,310
Total net assets	13,432,005	2,522,076	15,954,081	14,815,620
Total liabilities and net assets	$ 16,782,471	$ 2,522,076	$ 19,304,547	$ 25,725,406

See accompanying Notes to Consolidated Financial Statements.

CLOVER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Governmental contracts	$ 12,103,434	$ -	$ 12,103,434
Contributions	1,718,099	221,250	1,939,349
Foundation and corporate grants	928,502	-	928,502
Fundraising	25,299	-	25,299
Investment (loss) income	(439,287)	151,027	(288,260)
Program fees	114,790	-	114,790
United Way funding	65,500	85,000	150,500
Other income	370,244	-	370,244
Gain on extinguishment of debt	2,457,000	-	2,457,000
Net assets released from restrictions			
United Way	102,236	(102,236)	-
Release from restrictions - foundation grants	461,260	(461,260)	-
Restrictions satisfied by payments	5,248	(5,248)	-
Total revenues	17,912,325	(111,467)	17,800,858
Expenses			
Program services			
Head Start	4,441,100	-	4,441,100
Youth Program	170,255	-	170,255
Adult Day Health Care	689,054	-	689,054
2 Gen	524,517	-	524,517
Early Head Start	6,621,983	-	6,621,983
Community and Supportive Services	232,462	-	232,462
Participant Meal Program	368,541	-	368,541
Supporting services			
General and administrative	3,257,891	-	3,257,891
Fundraising	356,594	-	356,594
Total expenses	16,662,397	-	16,662,397
Change in net assets	1,249,928	(111,467)	1,138,461
Net assets			
Beginning of year	12,182,077	2,633,543	14,815,620
End of year	$ 13,432,005	$ 2,522,076	$ 15,954,081

See accompanying Notes to Consolidated Financial Statements.

CLOVER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Governmental contracts	$ 11,723,381	$ -	$ 11,723,381
Contributions	563,388	1,054,883	1,618,271
In-kind donations	19,606	250,427	270,033
Foundation and corporate grants	1,113,418	113,294	1,226,712
Fundraising	47,583	-	47,583
Investment income	534,866	112,245	647,111
Program fees	49,928	-	49,928
United Way funding	65,090	102,236	167,326
Other income	343,291	-	343,291
Net assets released from restrictions			
United Way	97,983	(97,983)	-
Release from restrictions - foundation grants	92,033	(92,033)	-
Restrictions satisfied by payments	259,037	(259,037)	-
Total revenues	14,909,604	1,184,032	16,093,636
Expenses			
Program services			
Head Start	4,462,067	-	4,462,067
Youth Program	132,704	-	132,704
Adult Day Health Care	629,252	-	629,252
2 Gen	482,128	-	482,128
Early Head Start	6,622,648	-	6,622,648
Community and Supportive Services	212,126	-	212,126
Participant Meal Program	406,679	-	406,679
Supporting services			
General and administrative	2,216,534	-	2,216,534
Fundraising	370,444	-	370,444
Total expenses	15,534,582	-	15,534,582
Change in net assets	(624,978)	1,184,032	559,054
Net assets			
Beginning of year	12,807,055	1,449,511	14,256,566
End of year	$ 12,182,077	$ 2,633,543	$ 14,815,620

See accompanying Notes to Consolidated Financial Statements.

CLOVER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services								Supporting Services		
	Head Start	Youth Program	Adult Day Health Care	2 Gen	Early Head Start	Community & Supportive Services	Participant Meal Program	Total Program Services	General and administrative	Fundraising	Total
Personnel	$ 2,221,826	$ 15,833	$ 343,194	$ 158,032	$ 3,455,710	$ 97,873	$ 83,304	$ 6,375,772	$ 956,408	$ 73,114	$ 7,405,294
Employee benefits											
Health insurance	254,983	17,868	64,207	9,622	374,599	18,089	25,680	765,048	103,835	9,410	878,293
Retirement	62,248	187	8,850	4,815	94,864	3,258	2,784	177,006	20,781	1,683	199,470
Other	9,514	27	1,383	692	14,664	469	397	27,146	2,802	180	30,128
Payroll taxes	220,085	4,724	37,925	14,973	343,329	11,249	10,243	642,528	97,222	6,246	745,996
Total personnel and related expenses	2,768,656	38,639	455,559	188,134	4,283,166	130,938	122,408	7,987,500	1,181,048	90,633	9,259,181
Conferences, conventions, and meetings	48,960	299	599	4,762	71,483	933	259	127,295	16,145	5,640	149,080
Food	129,963	11,221	1,541	138	72,420	2,398	185,280	402,961	2,118	94	405,173
Membership dues	1,402	83	184	-	2,000	73	32	3,774	19,457	130	23,361
Occupancy											
Utilities	139,573	15,623	38,892	-	132,688	2,443	8,397	337,616	74,111	4,220	415,947
Rent	29	13	-	-	2	2	-	46	56	2	104
Repairs and maintenance	46,734	4,039	6,044	-	38,083	1,340	7,680	103,920	26,258	1,531	131,709
Janitorial and housekeeping	142,491	35,618	19,059	-	66,686	5,792	15,351	284,997	174,793	7,272	467,062
Insurance	86,849	2,313	37,661	-	92,853	460	-	220,136	21,036	4,193	245,365
Professional services	646,109	19,757	29,364	313,222	1,391,176	17,296	29,134	2,446,058	971,723	84,178	3,501,959
Program and office expense	223,386	12,018	49,241	14,022	265,808	14,904	-	579,379	117,983	80,419	777,781
Travel and Transportation	51,855	1,130	31,224	3,621	98,636	1,325	-	187,791	8,045	106	195,942
Specific assistance to individuals	2,140	-	-	618	14,823	48,966	-	66,547	2,400	1,190	70,137
Field trips	2,037	1,611	-	-	903	-	-	4,551	-	-	4,551
Interest Expense	-	-	127	-	-	-	-	127	92,531	-	92,658
Bad debt expense	-	-	-	-	-	-	-	-	41	-	41
Total expense before depreciation	4,290,184	142,364	669,495	524,517	6,530,727	226,870	368,541	12,752,698	2,707,745	279,608	15,740,051
Depreciation	150,916	27,891	19,559	-	91,256	5,592	-	295,214	550,146	76,986	922,346
Total expenses	$ 4,441,100	$ 170,255	$ 689,054	$ 524,517	$ 6,621,983	$ 232,462	$ 368,541	$ 13,047,912	$ 3,257,891	$ 356,594	$ 16,662,397

See accompanying Notes to Consolidated Financial Statements.

CLOVER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services								Supporting Services		
	Head Start	Youth Program	Adult Day Health Care	2 Gen	Early Head Start	Community & Supportive Services	Participant Meal Program	Total Program Services	General and administrative	Fundraising	Total
Personnel	$ 2,342,950	$ 8,410	$ 312,261	$ 130,123	$ 3,560,030	$ 101,850	$ 82,720	$ 6,538,344	$ 680,210	$ 74,140	$ 7,292,694
Employee benefits											
Health insurance	190,770	13,540	47,497	6,670	290,570	14,500	18,570	582,117	71,360	8,060	661,537
Retirement	67,770	290	9,397	106	102,300	3,260	2,820	185,943	22,400	2,460	210,803
Other	11,400	320	1,984	573	17,340	610	610	32,837	4,980	360	38,177
Payroll taxes	214,610	4,700	34,304	12,246	339,390	11,810	9,950	627,010	81,580	7,710	716,300
Total personnel and related expenses	2,827,500	27,260	405,443	149,718	4,309,630	132,030	114,670	7,966,251	860,530	92,730	8,919,511
Conferences, conventions, and meetings	36,260	60	2,120	9,980	39,230	100	20	87,770	23,370	1,260	112,400
Food	9,860	70	1,430	780	12,680	3,480	249,800	278,100	2,110	90	280,300
Membership dues	2,570	-	10	-	4,070	-	-	6,650	15,620	120	22,390
Occupancy											
Utilities	99,050	15,790	39,080	-	139,250	2,450	4,450	300,070	70,120	3,540	373,730
Rent	200	-	-	-	5,940	-	-	6,140	(2,750)	-	3,390
Repairs and maintenance	56,660	1,120	2,750	-	58,090	350	1,950	120,920	5,650	5,940	132,510
Janitorial and housekeeping	149,250	27,971	30,275	-	153,330	4,973	18,269	384,068	123,750	6,250	514,068
Insurance	62,620	(1,780)	31,430	-	71,000	(3,370)	(6,190)	153,710	15,780	4,180	173,670
Professional services	776,590	25,040	47,080	311,550	1,358,750	14,050	16,970	2,550,030	204,510	107,500	2,862,040
Program and office expense	248,074	9,170	37,730	10,040	398,390	18,740	6,740	728,884	82,510	69,640	881,034
Travel and Transportation	180	-	11,700	60	13,280	-	-	25,220	4,690	690	30,600
Specific assistance to individuals	1,180	-	-	-	1,590	33,500	-	36,270	-	1,080	37,350
Field trips	-	-	-	-	300	-	-	300	-	-	300
Interest Expense	-	-	-	-	-	-	-	-	121,400	-	121,400
Bad debt expense	-	-	-	-	-	-	-	-	117,930	-	117,930
Total expense before depreciation	4,269,994	104,701	609,048	482,128	6,565,530	206,303	406,679	12,644,383	1,645,220	293,020	14,582,623
Depreciation	192,073	28,003	20,204	-	57,118	5,823	-	303,221	571,314	77,424	951,959
Total expenses	$ 4,462,067	$ 132,704	$ 629,252	$ 482,128	$ 6,622,648	$ 212,126	$ 406,679	$ 12,947,604	$ 2,216,534	$ 370,444	$ 15,534,582

See accompanying Notes to Consolidated Financial Statements.

CLOVER, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 1,138,461	$ 559,054
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	922,346	951,959
Donated securities	(152,984)	(250,427)
Interest and dividends reinvested, net of fees	-	(18,929)
Realized and unrealized loss (gain) on investments	298,557	(627,473)
Bad debt expense	41	117,930
Gain on extinguishment of debt	(2,457,000)	-
(Increase) decrease in operating assets:		
Accounts receivable	(344,717)	740,443
Promises to give	644,000	(1,262,194)
Prepaid expenses	(73,885)	70,568
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	430,447	80,551
Accrued payroll and related liabilities	52,570	(17,178)
Refundable advances	(391,384)	77,485
Net cash provided by operating activities	66,452	421,789
Cash flows from investing activities:		
Purchase of land, buildings and equipment	-	(136,455)
Sales and maturities of investments	10,927	420,696
Purchase of investments	(242,966)	(156,849)
Net cash (used) provided by investing activities	(232,039)	127,392
Cash flows from financing activities:		
Borrowings under line of credit	300,000	149,046
Repayments of line of credit	-	(149,046)
Repayments of long-term debt	(145,953)	(165,176)
Net cash provided (used) by financing activities	154,047	(165,176)
Net (decrease) increase in cash, cash equivalents and restricted cash	(11,540)	384,005
Cash, cash equivalents and restricted cash at beginning of year	2,556,495	2,172,490
Cash, cash equivalents and restricted cash at end of year	$ 2,544,955	$ 2,556,495

See accompanying Notes to Consolidated Financial Statements.

1) Nature of activities

Clover, Inc. and Affiliates (the "Organization" or "Clover") is a not-for-profit corporation and is a United Way agency serving Southeast Louisiana. The Organization obtains funds from state and federal governmental grants and private donor contributions. The affiliates of the Organization include Clover Foundation, Inc., 1542 Constance Street, Inc. and Clover Investment Fund, LLC. On September 27, 2022, Kingsley House, Inc. and Kingsley House Foundation, Inc. changed their names to Clover, Inc. and Clover Foundation, Inc., respectively.

Clover Foundation, Inc. (the "Foundation") is a Louisiana not-for-profit entity which was organized on May 28, 2013 for the purpose of serving as the fundraising arm to Clover, Inc. The Foundation is considered a supporting organization under Internal Revenue Code 509(a)(3). The Foundation is governed by a board of directors with at least 60% of the board being comprised of Clover board members.

1542 Constance Street, LLC was formed on August 6, 2013 for the purpose of building the Patrick F. Taylor campus (the "Project") located at municipal address 901 Richard Street, directly across from the Organization's main campus. The Organization serves as the sole member of the entity and is responsible for its management. During the fiscal year ended June 30, 2014, the Organization acquired 4.2 acres of land adjacent to the Organization's main campus upon which it has constructed a 24,000 square foot facility at an estimated project cost, inclusive of the land acquisition, of approximately $12.5 million to serve more than 300 infants, toddlers, seniors and medically fragile adults. The facility was opened in August 2016.

On January 23, 2015, 1542 Constance Street, LLC was changed to a corporation, 1542 Constance Street, Inc., for the purpose of securing New Markets Tax Credits ("NMTCs") (Note 14) related to construction of a new facility to serve the community.

On March 22, 2022 the Fund Member exercised its put option to sell Clover Investment Fund, LLC (the "Investment Fund") and Clover, Inc. became the sole member of Clover Investment Fund, LLC (see Note 14).

In anticipation of the Project, the Organization formed the Foundation discussed above. The Foundation began a 2013 Capital Campaign to fund, in part, the Project and also to provide for ongoing operational and maintenance costs of the Project and the Organization's main campus. This Capital Campaign continued through 2017. The financing for the Project is a mixture of New Markets Tax Credits, a state Office Community Development Project-Based Recovery Opportunity Program Loan, and a grant from Clover, Inc. Construction began in 2015 and was completed in August of 2016.

Programs provided by the Organization are as follows:

Head Start - A state licensed Head Start center is provided for 339 children.

Early Head Start – A state licensed Early Head Start center for 220 children. The Organization is an Early Head Start/Child Care Partnership Start grantee. Through a competitive grant process, in December of 2014 the Organization was selected as one of four grantees in the state of Louisiana. This established the Organization as a grantee for an additional 150 infants and toddler slots amongst 9 childcare partners. In addition, in July of 2015, the Organization was selected as one of three Head Start/Early Head Start grantees in the New Orleans Area. The consolidated grant allows the Organization to operate the most diverse model in the State of Louisiana.

1) Nature of activities (continued)

Adult Day Health Care – The Organization operates an adult day health care program licensed for 158 elderly or disabled adults and a senior center for persons over 60 years old.

Participant Meals Program – The Organization operates two full kitchens to prepare and serve breakfast, lunch, and snacks to participants in the Head Start, Early Head Start, Youth Program and Adult Day Health Care programs.

Community and Supportive Services – The Organization provides intensive case management services for former St. Bernard Housing Development residents as they resettle in a redeveloped mixed income community.

Youth Program – The Organization operates a full day summer camp program.

Whole Family – The Organization provides a whole family approach to mitigate poverty and provide employment opportunities for participants.

2) Summary of significant accounting policies

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

(a) Financial statement presentation

The accompanying consolidated financial statements present the consolidated statements of financial position, changes in net assets, functional expenses, and cash flows of Clover, Inc., Clover Foundation, Inc., 1542 Constance Street, Inc. and Clover Investment Fund, LLC (together referred to as the "Organization"). All significant inter-company accounts and transactions have been eliminated.

(b) Basis of presentation

The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets and revenues and other support are classified as without donor restrictions, or with donor restrictions based on the existence or absence of donor-imposed restrictions. Expenses are classified as without donor restrictions.

Net assets without donor restrictions include all net assets over which the board of directors (the Board) has full discretion to use. From time to time, the Board may designate portions of net assets without donor restrictions to be used for specific purposes. Such amounts are typically included in net assets without donor restrictions.

Net assets with donor restrictions include all net assets over which third parties have imposed restrictions, which cannot be changed by the Board. Net assets with donor restrictions are held for purpose restrictions or in perpetuity.

(c) Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. No impairments have been identified for the years ended June 30, 2022 and 2021.

2) Summary of significant accounting policies (continued)

(d) Revenue recognition

Contributions: The Organization reports gifts of cash and other assets as with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—with donor restriction net assets are reclassified to without donor-restriction net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Unconditional promises to give with payments due in future periods are presumed to be time restricted by the donor until received and are reported as with donor-restriction net assets.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Until that point, any amounts received are recorded as refundable advances.

Government support and revenue: The Organization has contracts with government and third parties for the performance of various services, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Government and other grants revenues are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under Financial Accounting Standards Board Accounting Standards Codification Topic 958, (ASC 958), *Not-for-Profit Entities*. Government and other grants are evaluated for contributions that are conditional. The Organization recognizes revenue as expenses are incurred, to a maximum of the grant award.

Program service fees and exchange-type grants and contracts revenue are recognized when services are provided. Program fees and payments under exchange-type grants and contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

(e) In-kind donations

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair market values at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions over the useful life of the donated asset. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions over such useful life.

The Organization recognizes the fair value of donated services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not donated.

2) Summary of significant accounting policies (continued)

(e) In-kind donations (continued)

In-kind donations include:

	2022	2021
Equity securities as contributions	$ 152,984	$ 250,427
Supplies for Head Start/Early Head Start	-	19,606
Total in-kind donations	$ 152,984	$ 270,033

The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, but which do not meet the criteria for financial statement recognition. The fair value of these hours for the years ended June 30, 2022 and 2021 was $421,946 and $860,606, respectively.

(f) Functional expenses

Expenses are charged to each program directly when the charge is identified to the program. Program expenditures which cannot be directly identified to a program are allocated based on square footage, usage statistics, employees, and ratio of program expenses to total expenses as appropriate. Supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Expenses are allocated among the various program services and general and administrative categories based on actual use or management's best estimate in the consolidated statements of functional expenses.

(g) Cash and cash equivalents

All cash-related items having a maturity of three months or less from the original maturity date are classified as cash and cash equivalents.

	2022	2021
Cash	$ 2,544,955	$ 2,517,885
Cash held for purchase of property	-	38,610
Total	$ 2,544,955	$ 2,556,495

(h) Investments

Investments in equity securities with readily determinable fair values are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. Investments with a maturity of one year or less are classified as current.

(i) Accounts receivable

Accounts receivable are reported in the statements of financial position at net realizable value. An allowance for doubtful accounts is recognized by the Organization based upon a review of specific customers' balances, historical losses (bad debts) incurred and general economic conditions. Allowances are provided for accounts receivable including grants when these are estimated to be uncollectible. Once accounts are determined to be uncollectible, they are written off to bad debt expense. No allowance for uncollectible accounts has been provided, as management has evaluated the accounts and believes they are all collectible.

2) Summary of significant accounting policies (continued)

(j) Promises to give

Promises to give consists of unconditional promises to give that are expected to be collected in future years and are recorded at the present value of their estimated future cash flows. An allowance for uncollectible accounts has been maintained for estimated losses resulting from the inability of its donors to make required payments and the present value discount recorded. The Organization's estimate for the allowance for doubtful accounts is based on a review of the current promises to give. There is no allowance recorded as of June 30, 2022 and 2021 as management believes all promises to give are collectible.

(k) Concentrations of credit risk

The Organization maintains a portion of their cash balances in several banks and investment firms. Accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to specific limits and amounts at each investment firm are insured by the Securities Investor Protection Corporation (SIPC) up to specific limits. The Organization's cash balances at times exceed insured limits as designated by the FDIC and SIPC. Management has assessed the risk of potential loss due to these concentrations and believes that the risk is minimal.

(l) Property and equipment

Property and equipment are carried at cost. Depreciation of property is provided over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the assets carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The estimated useful lives of depreciable assets are:

	Useful Lives
Building	5 to 25 years
Improvements	10 to 25 years
Transportation equipment	5 years
Furniture, fixtures and equipment	5 to 25 years

(m) Fundraising

All expenses associated with fundraising events are expensed as incurred.

(n) Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Advertising costs

Advertising costs are expensed as incurred, and totaled $84,607 and $62,363 during the years ended June 30, 2022 and 2021, respectively.

(p) Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

3) Income taxes

Clover, Inc. is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Clover Foundation, Inc. is exempt from income taxes under Section 509(a)(3) of the U.S. Internal Revenue Code. 1542 Constance Street, Inc. is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Clover Investment Fund, LLC is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code as a disregarded entity of Clover, Inc.

The Organization adopted the provisions of ASC 740, *Income Taxes*. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits. With few exceptions, the Organization is not subject to U.S. federal and state income tax examinations by tax authorities beyond three years from the filing of those returns.

4) Related party transactions

The Organization paid an entity owned by a board member $4,613 and $67,000 for services provided during the years ended June 30, 2022 and 2021, respectively.

5) Promises to give

Unconditional promises to give are estimated to be collected as follows at June 30, 2022 and 2021:

	2022	2021
Within one year	$ 993,428	$ 1,272,032
In one to five years	423,952	884,665
	1,417,380	2,156,697
Less discount to net present value at 4%	(68,956)	(164,232)
Promises to give, net	$ 1,348,424	$ 1,992,465

As of June 30, 2022 and 2021, promises to give consisted of:

	2022	2021
Promises to give, current	$ 993,428	$ 1,272,032
Promises to give, long term	354,996	720,433
	$ 1,348,424	$ 1,992,465

6) Property and equipment, net

Property and equipment is summarized as follows:

	2022	2021
Land	$ 1,095,968	$ 1,095,967
Building	20,494,594	20,494,594
Improvements	174,889	174,889
Furniture, fixtures and equipment	1,869,181	1,869,181
Transportation equipment	375,481	387,008
Total costs	24,010,113	24,021,639
Less: accumulated depreciation	12,679,787	11,768,967
Property and equipment	$ 11,330,326	$ 12,252,672

7) Noncurrent assets

As of June 30, 2022 and 2021, $-0- and $38,610, respectively, of cash was held for acquisition of property and donor restricted purposes for the construction of the Patrick F. Taylor campus and related interest and fees.

8) Notes receivable

A leveraged loan agreement was executed on March 10, 2015 between an affiliate of the Federal NMTCs Investor and Clover, Inc. and Affiliates in the amount of $5,348,000 maturing June 30, 2039 with interest of 1.00%. Principal and interest are due quarterly beginning March 15, 2022. The Federal NMTCs Investor has pledged and granted a security interest to Clover, Inc. and Affiliates for substantially all assets of its entities involved in the financing transactions on the closing date. The leveraged loan collaterally assigns all present and future payments, distributions (cash or otherwise), proceeds, profits, income, compensation, property, assets and rights due or to become due and payable to Clover, Inc. and Affiliates in connection with all of the Federal NMTCs Investor's membership interest. On March 22, 2022 the Fund Member exercised its put option to sell the Investment Fund and Clover, Inc. became the sole member of the Investment Fund. On June 15, 2022 the outstanding note receivable was forgiven and the related activity has been eliminated in consolidation (See Note 14).

9) Investments

Investments are carried at fair value and consist of the following at June 30, 2022 and 2021:

	Costs	2022 Fair Value	2021 Fair Value
Endowment Fund Investments	$ 129,412	$ 306,820	$ 354,293
Beneficial interest in assets held by GNOF	284,035	292,193	98,940
Other investments	1,622,108	2,278,999	2,338,313
Total investments		$ 2,878,012	$ 2,791,546

A summary of return on investments consists of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Endowment Fund Investments		
Investment (loss) income	$ (527)	$ 795
Realized/unrealized (loss) gain	(27,720)	20,068
Board Designated Endowment		
Investment income	5,941	5,515
Realized/unrealized (loss) gain	(53,414)	85,605
Other Investments		
Investment income	22,392	13,328
Realized/unrealized (loss) gain	(234,932)	521,800

10) Long-term investments – beneficial interest in assets held by GNOF

The Organization's endowment consists of donor restricted funds. The Organization has granted the Greater New Orleans Foundation (the "GNOF" or "GNO Foundation") the authority to administer and manage the endowment funds in accordance with the Greater New Orleans Foundation's investment policy and guidelines as noted below. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

10) Long-term investments – beneficial interest in assets held by GNOF (continued)

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions – perpetual in nature: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The primary financial objective for the GNO Foundation is to increase the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of investment management. Endowment assets are invested in a well-diversified asset mix, which includes equity securities, fixed income securities and alternative investments that is intended to meet this objective. The GNO Foundation has established a 5% real rate of return objective for the GNO Foundation's portfolio. Actual returns in any given year may vary from this amount. Investment assets and allocation between asset classes and strategies are managed to not expose the endowment assets to unacceptable levels of risk.

Spending Policy. The GNO Foundation follows a Total Return Spending Policy for its endowment funds. Endowment funds are invested for maximum total return (within acceptable risk parameters), without distinction between income and capital gains. The market value of the fund is measured over the past 12 quarters, and a percentage of the average of those values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation. The annual percentage for 2022 and 2021 distributions were approximately 4%. This percentage is evaluated each year and adjusted as necessary.

The composition of endowments by net asset with donor restriction – perpetual in nature at June 30, 2022 and 2021 was:

	2022	2021
Endowment net assets, beginning of year	$ 98,940	$ 81,898
Gifts	225,000	-
Investment (loss) income	(527)	795
Realized/unrealized (loss) gain	(27,720)	20,068
Subtotal	295,694	102,760
Grants	3,500	3,371
Administrative expenses	-	449
Endowment net assets, end of year	$ 292,193	$ 98,940

11) Long-term investment – Donor restricted endowment

As of June 30, 2022 and 2021, the Organization had $306,820 and $354,293, respectively, of net assets with donor restrictions – perpetual in nature as a general endowment fund to support the mission of the Organization. Since the amount resulted from restricted donations and is donor-restricted, it is classified and reported as net assets with donor restrictions – perpetual in nature.

11) Long-term investment – Donor restricted endowment (continued)

The Organization has a spending policy of maintaining realized gains and losses, and investment earnings within the endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity funds and corporate bonds. Accordingly, the Organization expects its endowment assets, over time, to produce a positive average rate of return annually.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets with donor restriction – perpetual in nature for the years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Endowment net assets, beginning of year	$ 354,293	$ 263,173
Investment income	5,941	5,515
Realized/unrealized (loss) gain	(53,414)	85,605
Endowment net assets, end of year	$ 306,820	$ 354,293

12) Board designations

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements, acquisitions, and program services from time to time and to designate appropriate sums of unrestricted net assets to ensure adequate financing. At June 30, 2022 and 2021, the Organization had board-designated funds totaling $2,278,998 and $2,338,313, respectively, in unrestricted cash and investments on the consolidated statements of financial position.

13) Line of credit

The Organization has an unsecured $500,000 line of credit with a bank that bears interest at the bank's prime rate adjusting daily minus 2%, with a floor rate of 3.75%. The line of credit matures May 8, 2024. The amount outstanding under the line of credit was $300,000 and $-0- at June 30, 2022 and 2021, respectively.

14) New markets tax credit

The Facility A and B notes are intended to qualify as a "qualified low-income community investment" (QLICI) for the purposes of generating certain tax credits called New Markets Tax Credits (NMTCs) under section 45D of the Internal Revenue Code of 1986, as amended. To qualify, the Organization must comply with certain representations, warranties, and covenants. These include, but are not limited to, a covenant that the "portion of the business" (as defined) will operate to qualify as a qualified low-income community business (a "QALICB"). If, as a result of the breach of the agreement or loan documents by the Organization, JPMorgan Chase Bank, N.A. ("JPMC"), sole member of Chase Community Equity, LLC (Fund Member), sole member of Chase NMTC Kingsley Investment Fund, LLC (the "Fund"), is required to recapture all or any part of the NMTCs previously claimed. 1542 Constance Street, Inc. ("Project Borrower") and Kingsley House, Inc. ("Sponsor") agree to indemnify JPMC the NMTCs Recapture Amount. Additionally, the Lenders have a security interest in the assets of the Organization other than real property.

14) New markets tax credit (continued)

On March 10, 2015, the Project Borrower issued two Facility A promissory notes payable and two Facility B promissory notes payable to the lenders. The notes are subject to credit and loan agreements executed by the Project Borrower, as the QALICB under the NMTCs Program, and the lender.

LIIF CDE Loan A1 (A1 Note) was issued for $4,345,250 and is secured under the aforementioned credit and loan agreements. The A1 Note matures on December 31, 2044. The note bears interest at a rate per annum equal to 1.1%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the A1 Note in full or in part any time prior to the expiration of the NMTCs compliance period.

CNMC CDE Loan A2 (A2 Note) was issued for $1,002,750 and is secured under the aforementioned credit and loan agreements. The A2 Note matures on December 31, 2044. The note bears interest at a rate per annum equal to 1.1%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the A2 Note in full or in part any time prior to the expiration of the NMTCs compliance period.

LIIF CDE Loan B1 (B1 Note) was issued for $1,959,750 and is secured under the aforementioned credit and loan agreements. The B1 Note matures on December 31, 2044. The note bears interest at a rate per annum equal to 1.1%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the B1 Note in full or in part any time prior to the expiration of the NMTCs compliance period.

CNMC CDE Loan B2 (B2 Note) was issued for $497,250 and is secured under the aforementioned credit and loan agreements. The B2 Note matures on December 31, 2044. The note bears interest at a rate per annum equal to 1.1%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the B2 Note in full or in part any time prior to the expiration of the NMTCs compliance period.

At the end of the seven year Tax Credit Investment Period, March 10, 2022 and ending 90 days thereafter (Put Option Period), the Fund Member may exercise a put option whereby the Investment Fund will sell its interest in the NMTCs Facilities to the Organization for the put price of $1,000. In the event the Fund Member does not exercise the put and the Organization remains in compliance with the loan terms and the NMTCs rules and regulations, the Organization may exercise a call option during the 90 days following the end of the Put Option Period to purchase the Membership Interest of the Fund Member for an amount equal to the fair market value of the Membership Interest determined by mutual agreement of the parties or qualified independent appraiser. As discussed in Note 1, on March 22, 2022 the Fund Member exercised the Put Option and now Clover, Inc. is the sole member of the investment fund. On June 15, 2022 all corresponding notes payable were forgiven resulting in a $2,457,000 gain on extinguishment of debt for the year ended June 30, 2022.

15) Long-term debt

During fiscal year 2016, 1542 Constance Street, Inc. began drawing down on its long-term debt for construction of the new campus. A loan agreement was executed on March 10, 2015 between the State of Louisiana, Division of Administration, Office of Community Development (OCD) and the Organization in the amount of $2,000,000 bearing interest at 1.00%, and maturing March 10, 2030. Principal and interest payments became due monthly in arrears commencing March 10, 2017 and continuing until March 10, 2030. As of June 30, 2017, the loan was drawn in full. The Organization obtained an extension from the OCD for the June 30, 2022 audited financial statements through March 31, 2023.

Long-term debt of the Organization at June 30, 2022 and 2021 consists of the following:

	2022	2021
New Markets Tax Credit- LIIF Sub-CDE XXXI, L.L.C. QLICI A loan. Interest is payable quarterly at a rate of 1.1%. Principal amortization begins April 1, 2022 with the first amortization payment due on June 5, 2022. The note matures in December 31, 2044. (see Note 14)	$ -	$ 4,345,250
New Markets Tax Credit- CNMC Sub-CDE 77, L.L.C. QLICI A loan. Interest is payable quarterly at a rate of 1.1%. Principal amortization begins April 1, 2022 with the first amortization payment due on June 5, 2022. The note matures in December 31, 2044. (see Note 14)	-	1,002,750
New Markets Tax Credit- LIIF Sub-CDE XXXI, L.L.C. QLICI B loan. Interest is payable quarterly at a rate of 1.1%. Principal amortization begins April 1, 2022 with the first amortization payment due on June 5, 2022. The note matures in December 31, 2044. (see Note 14)	-	1,959,750
New Markets Tax Credit- CNMC Sub-CDE 77, L.L.C. QLICI B loan. Interest is payable quarterly at a rate of 1.1%. Principal amortization begins April 1, 2022 with the first amortization payment due on June 5, 2022. The note matures in December 31, 2044. (see Note 14)	-	497,250
Note Payable - Interest is payable monthly at a rate of 1.0%. Payments began on March 10, 2017. The note matures in March 10, 2030.	1,215,922	1,361,875
Total long-term debt	1,215,922	9,166,875
Less current portion	152,287	258,115
Long-term debt, less current portion	$ 1,063,635	$ 8,908,760

15) Long-term debt (continued)

The maturities of long-term debt are as follows:

2023	$ 152,287
2024	153,878
2025	155,485
2026	157,109
2027	158,750
Thereafter	438,413

16) Net assets with donor restrictions – purpose restrictions

The restrictions on net assets as of June 30, 2022 and 2021 relate to the following:

	2022	2021
W.K. Kellogg Foundation Grant	$ 106,799	$ 336,417
GNOF Financial Literacy	25,501	25,501
GNOF Economic Workforce Opportunity	-	57,793
GNOF Specific Assistance	32,700	26,550
Tom & Gayle Benson Foundation	581,457	581,457
125th Birthday Campaign	1,050,356	1,050,356
United Way	85,000	102,236
Philant	21,250	-
Prat Stanton	20,000	-
Total net assets with donor restrictions	$ 1,923,063	$ 2,180,310

Net asset released from restrictions as of June 30, 2022 and 2021 are as follows:

	2022	2021
W.K. Kellogg Foundation Grant	$ 100,342	$ 88,583
GNOF Endowment Fund	5,248	4,083
GNOF Economic Workforce Opportunity	57,793	-
GNOF Specific Assistance	23,849	3,450
Humana	279,276	-
125th Birthday Campaign	-	254,954
United Way	102,236	97,983
Total net assets with donor restrictions	$ 568,744	$ 449,053

17) Net assets with donor restrictions – perpetual in nature

The Organization began receiving donations with the intentions of creating a permanent endowment in 2001. The Organization established the endowment funds with the intent to preserve the fair value of the original gift absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions – perpetual in nature the original value of gifts donated to the permanent endowment, and the original value of subsequent gifts to the permanent endowment. The Organization maintains realized and unrealized gains and losses within the endowment. As of June 30, 2022 and 2021, net assets with donor restrictions – perpetual in nature were $599,012 and $453,324, respectively.

18) Economic dependence

For the year ended June 30, 2022, approximately 79% of the Organization's revenues came from governmental grants, 6% from foundations and corporate grants, and 13% came from contributions. For the year ended June 30, 2021, approximately 73% of the Organization's revenues came from governmental grants, 8% from foundations and corporate grants, and 10% came from contributions.

19) Operating leases

Clover leases space from 1542 Constance Street, Inc. for its program needs. The lease runs through March 2046. Total rent expense under the lease was $66,000 for the years ended June 30, 2022 and 2021. The rent expense associated with this lease agreement has been eliminated on the consolidated statements of activities.

Future minimum rental payments under the lease are as follows:

2023	$ 70,000
2024	70,000
2025	70,000
2026	70,000
2027	70,000
Thereafter	1,067,500

Portions of the main campus are sub-leased to various organizations. Payments due under the leases are as follows:

2023	$ 43,114

20) Employee benefit plan

The Organization maintains a 403(b) retirement plan for the benefit of all eligible employees, whereby the employees may elect to defer compensation pursuant to a salary reduction agreement. The Organization contributes a match as described in the plan documents. Contributions for the period July 1, 2020 through June 30, 2022 were based on 3.5% of plan participants' salaries. Total retirement plan expense was $199,470 and $210,803 for the years ended June 30, 2022 and 2021, respectively.

21) Fair value measurement

ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

21) Fair value measurement (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Equities, certain Fixed Income Funds and certain Money Market Funds: Valued at the closing price reported on the active market on which the individual securities are traded. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics.

Corporate Bonds, Fixed Income Bond Funds, and Mortgage backed Securities: Valued at the present value of the expected future cash flows utilizing the minimum risk-free rate of return. The valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Money Market Funds and Mutual Funds: Valued at the net asset value of the shares held at year end.

Other Investments: Included in other investments are Private Equity Funds, Limited Liability Entities, Hedge Funds, and Pooled Investment Funds. These investments are valued based upon the units held at year-end multiplied by the respective unit value. The unit value is based upon significant observable inputs, although it is not based upon quoted marked prices in an active market. The underlying investments consist primarily of equity securities, debt obligations, short-term investments and other marketable securities. In accordance with ASC 820-10, these investments are not classified in the fair value hierarchy.

Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Equity Funds	$ 1,337,701	$ -	$ -	$ 1,337,701
Corporate Bonds	-	149,942	-	149,942
Fixed Income Bond Funds	-	466,947	-	466,947
Money Market Funds	144,613	-	-	144,613
Total assets at fair value	$ 1,482,313	$ 616,889	$ -	$ 2,099,201
Investments recorded at NAV as practical expedient				778,810
				$ 2,878,012

21) Fair value measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Equity Funds	$ 1,414,520	$ -	$ -	$ 1,414,520
Corporate Bond Funds	-	219,869	-	219,869
Fixed Income Bond Funds	-	377,428	-	377,428
Money Market Funds	160,973	-	-	160,973
Total assets at fair value	$ 1,575,493	$ 597,297	$ -	$ 2,172,790
Investments recorded at NAV as practical expedient				618,756
				$ 2,791,546

22) Supplemental disclosures of cash flows information

	2022	2021
Interest	$ 97,300	$ 121,400
Non-cash financing of insurance premiums	$ 170,600	$ 110,700

23) Commitments and contingencies

Clover Foundation, Inc. is a guarantor in a credit agreement between Clover and a lender. The note payable balance at June 30, 2022 and 2021 was $1,215,922 and $1,361,875, respectively.

The Organization received a portion of its revenue from government grants, which are subject to audit by the respective funding source. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by such governmental units. Until such audits have been completed and final settlement is reached, there exists a contingency to refund any amount received in excess of allowance costs. Management is of the opinion that no material liability will result from any such audits.

The Organization is partnered with Bayou District Foundation (a local nonprofit organization) and Educare New Orleans (a national nonprofit organization) to operate an early childhood program. The Organization has an agreement to manage and operate the program through June 2024. The Organization receives fees on a reimbursement basis plus a management fee to operate the program.

24) Council on Aging

Grants with the New Orleans Council on Aging from the Governor's Office of Elderly Affairs are as follows:

	2022	2021
Revenues	$ 47,685	$ 74,778
Expenses:		
Compensation and related expenses	9,989	-
Total revenue, net of compensation and related expenses	$ 37,696	$ 74,778

25) Conditional grant

On April 4, 2020, Clover was granted a $1,739,400 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan funds were received on April 27, 2020 and is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization received the forgiveness in the amount of $1,739,400 on August 10, 2021.

26) New accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the statements of financial position as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2021. Management is currently assessing the impact of this pronouncement on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958) to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items. The Update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The new standard is effective for annual reporting periods beginning after June 15, 2021 using a retrospective approach. The Organization has adopted this ASU and there was not a material effect on the financial statements.

27) Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	$ 2,544,955
Promises to give, net	1,348,424
Accounts receivable	810,763
Investments	2,278,999
Financial assets, at year end	6,983,141
Less those unavailable for general expenditure within one year due to restrictions by donor for specified purpose	2,522,076
Financial assets available to meet cash needs for general expenditures within one year	$ 4,461,065

As a part of the Organization's liquidity management, the Organization maintains its cash and cash equivalents in financial institutions as cash. In addition to financial assets and a line of credit available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

28) Subsequent events

Management has evaluated subsequent events through the date of the auditors' report, the date which the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

UNIFORM GUIDANCE COMPLIANCE AND GOVERNMENT AUDITING STANDARD REPORTS

Wegmann Dazet
CERTIFIED PUBLIC ACCOUNTANTS

Jon S. Folse
Lisa D. Englade
Kerney F. Craft, Jr.
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INDEPENDENT AUDITORS' 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
Clover, Inc. and Affiliates
New Orleans, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Clover, Inc., which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Clover, Inc. and Affiliates' internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clover, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Clover, Inc. and Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-002 that we consider to be a significant deficiency.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clover, Inc. and Affiliates' financial statements are free from 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-002.

Clover, Inc. and Affiliates Response to Findings

Clover, Inc. and Affiliates' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Clover, Inc. and Affiliates' response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Metairie, Louisiana
March 31, 2023

Wegmann Dazet

Wegmann Dazet
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
Clover, Inc. and Affiliates
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clover, Inc. and Affiliates' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clover, Inc. and Affiliates' major federal programs for the year ended June 30, 2022. Clover, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Clover, Inc. and Affiliates' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Clover, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Clover, Inc. and Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Clover, Inc. and Affiliates' federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Clover, Inc. and Affiliates' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Clover, Inc. and Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, On a test basis, evidence regarding Clover, Inc. and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Clover, Inc. and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Clover, Inc. and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Metairie, Louisiana
March 31, 2023

Wegmann Dazet

CLOVER, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program	Federal A.L. Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Head Start/Early Head Start	93.600	06CH011848-01	$ 2,693,735
Head Start/Early Head Start	93.600	06CH011848-02	5,235,490
Early Head Start Child Care Partnership	93.600	06HP000365/02	341,624
Early Head Start Child Care Partnership	93.600	06HP000365/03	1,755,274
American Rescue Plan	93.600	06HE001156-01-01	81,000
COVID	93.600	06HE001156-01-01	148,507
Total Head Start Cluster			10,255,630
U.S. Department of Agriculture			
Lousiana Department of Education			
Child and Adult Care Food Program			
Preschool/ Early Head Start/School Age/Adult	10.558	CC93-432	410,793
Emergency Food and Shelter Program	97.024	365800-060	7,014
Total Expenditures of Federal Awards			$ 10,673,437

See accompanying Notes to Schedule of Expenditures of Federal Awards.

Note 1 General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Clover, Inc. and Affiliates. The reporting entity is defined in Note 1 to Clover, Inc. and Affiliates consolidated financial statements. All federal award programs received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance.)* Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Clover, Inc. and Affiliates has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Note 3 Risk-based audit approach

The dollar threshold used to distinguish between Type A and Type B programs is $750,000. The Organization does not qualify as a low-risk auditee.

Note 4 Possible ineligible, disallowed and questioned costs

Clover, Inc. and Affiliates is subject to audits and investigations by state and federal agencies or their designees for compliance with contractual and programmatic requirements with regard to funding provided to Clover, Inc. and Affiliates. The determination of whether any instances of noncompliance that will ultimately result in remittance by Clover, Inc. and Affiliates of any ineligible or disallowed costs cannot be presently determined.

CLOVER, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF THE AUDITORS' RESULTS

Type of report issued on the consolidated financial statements: **Unmodified Opinion**.

Significant deficiencies in internal control were disclosed by the audit of the financial statements: **Yes**. Material weaknesses: **No**.

Noncompliance which is material to the consolidated financial statements: **No**.

Significant deficiencies in internal control over major programs: **No**. Material weaknesses: **No**.

Type of report issued on compliance for major programs: **Unmodified Opinion.**

Any audit findings which are required to be reported in accordance with 2CFR 200.516(a): **No**.

Major programs for the fiscal year ended June 30, 2022 were:

U.S. Department of Health and Human Services	
Head Start / Early Head Start	(A.L. #93.600)
Early Head Start Child Care Partnership	(A.L. #93.600)

Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**.

Auditee qualified as a low-risk auditee under Uniform Guidance: **No**.

A management letter was issued: **No**.

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-002: Compliance with Annual Filing Deadline

Condition:
The audit report for the year ended June 30, 2022 was not submitted within six (6) months after year end as required by state law. The Organization has also received a non-emergency extension under the provisions of LRS 29:724 (B) (1) through March 31, 2023.

Criteria:
Louisiana Revised Statute 24:513 requires that all engagements be completed and transmitted to the legislative auditor within six months of the close of the auditee's fiscal year.

Cause:
The Organization did not file its year ended June 30, 2022 audit report within six months of the end of its fiscal year due to COVID absentees and personnel turnover within the finance department during the fiscal year end.

Effect:
The Organization was not able to submit its audit within the six months which resulted in a non-emergency extension through March 31, 2023.

Recommendation:
We recommend that management make every effort to submit its financials within the six months after year end as required by state law.

Views of the responsible officials:
In the previous year, Clover, Inc. preserved continuous correspondence with the Louisiana Legislative Auditor (LLA) from shortly after Hurricane Ida all the way through applying for and receiving the September 30, 2022 extension.

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2022-002: Compliance with Annual Filing Deadline (Continued)

Views of the responsible officials (Continued):
Due to some very unfortunate and unusual circumstances related to turnover in staffing within the Clover Inc. finance department coinciding with the after effects of Hurricane Ida, this was the first and only time in known experience that Clover, Inc. was not able to submit financial statements within the originally mandated timeframe in accordance with Louisiana state law. The finance department was able to stabilize its Controller position along with recently hiring other staff accountant positions to once again achieve full employment in the department. Extending the financial statement submission to March 31, 2023 was a consequence of completing and submitting the previous audit at the end of September 2022, resulting in too little turnaround time to complete the current audit by calendar year end. It is important to note that, while Clover did not technically comply with statutory requirements, management's position is that all applicable rules and regulations were complied with since all necessary extensions were granted.

SECTION III – FEDERAL AWARD FINDINGS

There were no items identified in the course of our testing during the current year required to be reported.

SECTION IV – FINDINGS AND QUESITONED COSTS – PRIOR YEAR

Financial Statements –

2021-001 – Contributed Services

CONDITION: The Organization improperly recognized as contributions the value of parent volunteer services on the Organization's financial statements.

RECOMMENDATION: We recommend that management review revenue recognition policies and procedures annually to ensure its being recognized in accordance with generally accepted accounting principles.

CURRENT STATUS: The Organization has implemented policies and procedures to ensure that contributed services are recognized in accordance with generally accepted accounting principles. The Organization did not recognize the value of parent volunteer services as contributions during the year ended June 30, 2022. Based on the action above the finding has been corrected as of the audit report date.

2021-002 – Compliance with Annual Filing Deadline

CONDITION: The audit report for the year ended June 30, 2021 was not submitted within six (6) months after year end as required by state law (nine months including the emergency extension due to Hurricane Ida, as determined by the Governor's Decree). The Organization has also received a non-emergency extension under the provision of LRS 29:724 (B(1) through September 30, 2022.

RECOMMENDATION: We recommend that management make every effort to submit its financials within six months after year end as required by state law.

CURRENT STATUS: This has not been corrected for the year end June 30, 2022 as discussed in finding 2022-002.

Compliance –

2021-003 – Significant Non-Compliance

INFORMATION ON THE FEDERAL PROGRAM: Assistance Listing Number 93.600–Head Start Program, United States Department of Health and Human Services. *Award Number:* 06HP0003365. *Compliance Requirements:* Allowable Cost/cost Principles. *Type of Finding:* Significant Non-Compliance.

CONDITION: The Organization submitted claims for reimbursements for expenses not yet incurred without receiving prior approval.

RECOMMENDATION: The Organization develop a system to ensure funds are not requested until allowable expenses have been incurred.

CURRENT STATUS: The Organization has implemented policies and procedures to ensure that funds are not requested until allowable expenses have been incurred. The Organization did not request funds in advance of allowable expenses being incurred during the year ended June 30, 2022. Based on the action above the finding has been corrected as of the audit report date.

clover
Formerly Kingsley House

KINGSLEY HOUSE, INC. AND AFFILIATES
CORRECTIVE ACTION PLAN FOR FISCAL YEAR 2022 AUDIT
For the Year Ended June 30, 2022

Name of Responsible Person: Glenn Gruber, CPA
Chief Financial Officer
Glenn.gruber@kingsleyhouse.org

Financial Statement Finding 2021-001: Contributed Services
Contributed services requires contribution of services be recognized if the services received (a) creates or enhances a nonfinancial asset or (b) they require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Corrective Action Plan
KH management made the collective decision to continue and record parent volunteer hours for the Non-Federal Match, but exclude the value of such from the Kingsley House, Inc. and Affiliates GAAP financial statements.

Completion Date: 9/27/2022

Compliance Finding 2022-002: Compliance with Annual Filing Deadline
Louisiana Revised Statute 24:513 requires that all engagements be completed and transmitted to the legislative auditor within six months of the close of the auditee's fiscal year.

Corrective Action Plan
KH will complete and transmit its audited financial statements to the legislative auditor within six months of the close of its fiscal year.

Expected Completion Date: 12/31/2022

Federal Award Finding 2021-003: Significant Non-Compliance
The Head Start program is a cost reimbursement program which requires allowable costs to be incurred before the request for funds can be submitted. KH submitted claims for reimbursements for expenses not yet incurred without receiving prior approval.

Corrective Action Plan
To correct as quickly as possible, the next reimbursement pay request was shorted for the same amount. KH added and filled a new position that has been given the responsibility, directed and overseen by the finance department, to review, record, compare and verify government grant related expenses with individual pay requests.

Completion Date: 6/30/2022

CLOVER, INC. AND AFFILIATES
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEADS

For the Year Ended June 30, 2022

SUMMARY OF COMPENSATION

Keith Liederman
CEO

*No agency head expenses were derived from state and/or local assistance.

CLOVER, INC.
AND AFFILIATES

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2022

Wegmann Dazet
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Clover, Inc. and Affiliates
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. Clover, Inc. (Entity) management is responsible for those C/C areas identified in the SAUPs.

The Entity has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

   a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

   b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

   c) Disbursements, including processing, reviewing, and approving.

   d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

   e) Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

   f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

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g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

h) Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

k) Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

l) Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Procedure Results - We performed the procedures listed above and noted no exceptions. The entity is a private non-profit and accordingly, item i) and item l) above are not applicable.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Procedure Results - We performed the procedures listed above and noted no exceptions. The Entity is not a governmental entity, accordingly, item c) above is not applicable.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

   b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

   c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

   Procedure Results - We performed the procedures listed above and noted no exceptions.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of collection locations[2] and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   a) Employees responsible for cash collections do not share cash drawers/registers.

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

a) Observe that receipts are sequentially pre-numbered.

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

c) Trace the deposit slip total to the actual deposit per the bank statement.

d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).

e) Trace the actual deposit per the bank statement to the general ledger.

Procedure Results - We performed the procedures listed above and noted no exceptions.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

b) At least two employees are involved in processing and approving payments to vendors.

c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedure Results - We performed the procedures listed above and noted no exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

b) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing)[3]. For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a

compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Procedure Results - We performed the procedures listed above and noted no exceptions.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

    a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

    b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

    c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

    d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

    Procedure Results – We performed the procedures listed above and noted no exceptions.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

    a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

    b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

    c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

    d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Procedure Results - We performed the procedures listed above and noted no exceptions.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

    b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

    c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

    d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Procedure Results - We performed the procedures listed above and noted no exceptions.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

    a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Procedure Results – This section is not applicable to the Entity.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Procedure Results - We performed the procedures listed above and noted no exceptions. The entity did not issue any bonds/notes or other debt instruments during the fiscal period and accordingly, item 21) above is not applicable.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Procedure Results - We performed the procedures listed above and noted no exceptions.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Procedure Results - We performed the procedures listed above and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

    a) Number and percentage of public servants in the agency who have completed the training requirements;

    b) Number of sexual harassment complaints received by the agency;

    c) Number of complaints which resulted in a finding that sexual harassment occurred;

    d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

    e) Amount of time it took to resolve each complaint.

    Procedure Results – This section is not applicable to the Entity

We were engaged by the Entity to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Metairie, Louisiana
March 31, 2023

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