

---

**REGINA COELI CHILD DEVELOPMENT CENTER**

**FINANCIAL STATEMENTS**

**MAY 31, 2018**

---



Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**REGINA COELI CHILD DEVELOPMENT CENTER**

**FINANCIAL STATEMENTS**

**MAY 31, 2018**

## CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 2
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 14
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	15
Schedule of Insurance Coverage (unaudited)	16

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Regina Coeli Child Development Center  
Robert, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the Regina Coeli Child Development Center (the Center) (a nonprofit organization), which comprise the statements of financial position as of May 31, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

The supplementary information on page 16, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Emphasis of Matter*

As discussed in Note 9 to the financial statements, a significant part of the Center's revenue is dependent upon federal grant funding. The loss or significant reduction of federal programs funding could have a material adverse effect on the Center's operations.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated November 30, 2018, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's 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 the Center's internal control over financial reporting and compliance.



Metairie, Louisiana  
November 30, 2018

**REGINA COELI CHILD DEVELOPMENT CENTER**  
**ROBERT, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2018 AND 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 240,920	\$ 298,201
Grants receivable	730,548	565,990
Insurance receivable	-	349,567
Prepaid expenses and other assets	<u>2,107</u>	<u>2,181</u>
Total current assets	<u>973,575</u>	<u>1,215,939</u>
<b><u>PROPERTY AND EQUIPMENT:</u></b>		
Land	999,658	999,658
Buildings	10,695,705	10,695,705
Leasehold improvements	1,569,045	1,293,104
Vehicles	1,262,921	1,091,112
Equipment	<u>732,940</u>	<u>758,483</u>
	15,260,269	14,838,062
Less: accumulated depreciation and amortization	<u>(6,560,855)</u>	<u>(6,367,281)</u>
Total property and equipment, net	<u>8,699,414</u>	<u>8,470,781</u>
<b><u>OTHER ASSETS:</u></b>		
Restricted cash for loan repayment	<u>80,720</u>	<u>80,832</u>
Total other assets	<u>80,720</u>	<u>80,832</u>
Total assets	<u>\$ 9,753,709</u>	<u>\$ 9,767,552</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable and accrued expenses	\$ 1,181,347	\$ 1,413,323
Notes payable, current portion	<u>916,275</u>	<u>929,845</u>
Total current liabilities	<u>2,097,622</u>	<u>2,343,168</u>
<b><u>LONG-TERM LIABILITIES:</u></b>		
Notes payable, net of current portion	<u>783,531</u>	<u>1,140,150</u>
Total long-term liabilities	<u>783,531</u>	<u>1,140,150</u>
Total liabilities	<u>2,881,153</u>	<u>3,483,318</u>
<b><u>NET ASSETS:</u></b>		
Unrestricted	<u>6,872,556</u>	<u>6,284,234</u>
Total liabilities and net assets	<u>\$ 9,753,709</u>	<u>\$ 9,767,552</u>

The accompanying notes are an integral part of these financial statements.

**REGINA COELI CHILD DEVELOPMENT CENTER**  
**ROBERT, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED MAY 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b><u>REVENUES</u></b>		
Grants	\$ 17,312,987	\$ 14,884,567
Goods and services contributed	957,416	1,015,924
Cash contributions	132,978	168,035
Other income	106,773	715,015
	<b>18,510,154</b>	<b>16,783,541</b>
<b><u>EXPENSES</u></b>		
Personnel	10,659,696	9,459,760
Fringe benefits	1,949,183	1,784,401
Occupancy	1,044,260	1,028,439
Goods and services contributed	957,416	1,015,924
Food costs	718,129	635,402
Other supplies	555,096	313,198
Depreciation	503,354	438,024
Travel	329,049	363,934
Consultants	228,596	174,107
Educational supplies	220,999	244,535
Other	214,462	887,086
Training	203,797	132,594
Insurance	190,293	160,383
Interest	105,768	109,940
Fundraising costs	5,887	15,955
Loss on disposal of assets	35,847	62,651
	<b>17,921,832</b>	<b>16,826,333</b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>588,322</b>	<b>(42,792)</b>
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<b>6,284,234</b>	<b>6,327,026</b>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<b>\$ 6,872,556</b>	<b>\$ 6,284,234</b>

The accompanying notes are an integral part of these financial statements.

**REGINA COELI CHILD DEVELOPMENT CENTER**  
**ROBERT, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MAY 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 588,322	\$ (42,792)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	35,847	62,651
Depreciation and amortization	506,664	441,334
Changes in operating assets and liabilities:		
Decrease (increase) in grants receivable	(164,558)	389,382
Decrease (increase) in insurance receivable	349,567	(349,567)
Decrease in prepaid expenses and other assets	74	7
Decrease in accounts payable and accrued expenses	(65,755)	(116,733)
Net cash provided by operating activities	<u>1,250,161</u>	<u>384,282</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(948,755)	(118,826)
Proceeds from the sale of property and equipment	14,700	80,000
Net cash used in investing activities	<u>(934,055)</u>	<u>(38,826)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principal payments on notes payable	(373,499)	(353,688)
Decrease (increase) in restricted cash	112	(8)
Net cash used in financing activities	<u>(373,387)</u>	<u>(353,696)</u>
Net change cash and cash equivalents	(57,281)	(8,240)
Cash and cash equivalents, beginning of year	<u>298,201</u>	<u>306,441</u>
Cash and cash equivalents, end of year	<u>\$ 240,920</u>	<u>\$ 298,201</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest expense	<u>\$ 203,797</u>	<u>\$ 160,383</u>
Amounts included in accounts payable for property and equipment	<u>\$ 3,734</u>	<u>\$ 169,955</u>

The accompanying notes are an integral part of these financial statements.

## REGINA COELI CHILD DEVELOPMENT CENTER

### NOTES TO FINANCIAL STATEMENTS

#### **1. Summary of Significant Accounting Policies**

##### Organization

Regina Coeli Child Development Center (the Center) is a non-profit center that operates Head Start programs in Southeast Louisiana. The Center has been in existence since 1969. It operates seventeen centers, including Head Start and Early Head Start programs, in the five parishes of Livingston, St. Helena, St. Tammany, Tangipahoa, and Washington. The Center provided service to 1,991 and 1,943 children during the years ended May 31, 2018 and 2017, respectively. The goal of the Center is to improve the educational and economic opportunities of those it serves.

A summary of the Center's significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

##### Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the Center are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

##### Presentation

The Center has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASC No. 958-205, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Center is required to present a statement of cash flows. The Center has also adopted FASB ASC No. 958-605, *Revenue Recognition - Contributions Received*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. For the years ended May 31, 2018 and 2017, the Center had no temporarily restricted or permanently restricted revenues or net assets.

##### Cash and cash equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and having original maturities of three months or less.

##### Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management determined that no year-end balances were deemed to be not collectible. Accordingly, a valuation allowance was determined to be unnecessary.

**REGINA COELI CHILD DEVELOPMENT CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

Property and Equipment

All assets acquired having a cost or estimated fair value equal to or greater than \$5,000 are capitalized and depreciated.

Buildings, vehicles, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of all exhaustible fixed assets is charged as an expense. Depreciation has been calculated using the straight-line method. See note 7 to the financial statements regarding the restrictions on assets acquired.

The estimated useful lives of property and equipment are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 Years
Modular building	15 Years
Vehicles	10 Years
Equipment	5 – 10 Years
Leasehold improvements	10 – 30 Years

In accordance with FASB ASC relating to accounting for the impairment or disposal of long-lived assets, an asset is determined to be impaired if the carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the assets exceeds its fair value. Fair value is determined by using an independent appraisal based on market comparisons. There were no impairment losses in 2018 or 2017.

Restricted Cash

Restricted cash reported as a non-current asset on the statements of financial position is restricted by the U.S.D.A. in order to conform to certain debt covenants.

Grant Support

The Head Start and Early Head Start funds from the Department of Health and Human Services are recognized as revenues in the accounting period when the expenses are incurred and the grant funds are earned. The Child Care Food Program revenue is based on a predetermined reimbursement rate for the number of meals served.

In-Kind Contributions

FASB ASC No. 958-605 requires that in-kind contributions be recorded at their fair market value and accounted for as revenue when received and as an asset, reduction in a liability or an expense depending on the form of the benefits received. Contributions of services are to be recognized if the services received either (1) enhance a non-financial asset or (2) require specialized skills and would need to be purchased if not provided by donation.

**REGINA COELI CHILD DEVELOPMENT CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

In-Kind Contributions (continued)

Services valued at \$2,656,642 and \$2,318,108 during the years ended May 31, 2018 and 2017, respectively, did not meet the criteria of FASB ASC No. 958-605 and were not recognized. The following is a recap of in-kind contributions recognized in the years ended May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Occupancy and other operating expenses	\$ 357,346	\$ 330,307
Supplies	273,878	383,635
Rental of facilities	269,335	275,895
Transportation	22,666	25,007
Other services	34,191	1,080
Total	<u>\$ 957,416</u>	<u>\$ 1,015,924</u>

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

The Center periodically maintains cash in bank accounts in excess of insured limits. The Center has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2018 and 2017.

**REGINA COELI CHILD DEVELOPMENT CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Accounting Pronouncements Issued But Not Yet Adopted

FASB has issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how an entity manages its liquid available resources and liquidity risks is required. This standard will effective for the Center's fiscal year ending May 31, 2019.

In November 2016, FASB issued ASU No. 2016-15. *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU requires presentation of the total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the period in the statement of cash flows. This standard will effective for the Center's fiscal year ending May 31, 2019.

FASB has issued ASU No. 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will effective for the Center's fiscal year ending May 31, 2020.

In June 2018, the FASB issued ASU No. 2018-08 *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This standard will effective for the Center's fiscal year ending May 31, 2020.

In February 2017, the FASB issued ASU No. 2017-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. This standard will effective for the Center's fiscal year ending May 31, 2021.

The Center is currently assessing the impact of these pronouncements on its financial statements.

**REGINA COELI CHILD DEVELOPMENT CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**2. Grants Receivable**

Grants receivable at May 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
<b>Federal Grants</b>		
Head Start Program	\$ 489,190	\$ 471,751
Child Care Food Program	241,358	94,239
Total	<u>\$ 730,548</u>	<u>\$ 565,990</u>

**3. Retirement Plan**

The Center sponsors a profit sharing plan under Section 404(c) of the Internal Revenue Code. The Plan is a defined contribution plan covering all full-time employees of the Center who are age eighteen or older. Employees are enrolled as active participants on the first day of the month coinciding with or immediately following the date eligibility requirements are met.

Each year, participants may make salary deferral contributions in any percentage from 1% to 100% of compensation subject to the maximum amount permitted by law. The value of a participant's account attributable to their contributions is always fully vested. Each plan year the Board of Directors will determine the amount of the employer contribution (if any) that will be made for all eligible participants who are actively employed on the last day of the plan year, which is May 31st. The plan has a five-year vesting schedule for employer contributions as follows:

<u>Year</u>	<u>Percent</u>
0 to less than 2 years	0%
2 years	25%
3 years	50%
4 years	75%
5 or more years	100%

A participant becomes fully vested in his or her entire account when he or she reaches either early retirement or normal retirement age.

During the years ended May 31, 2018 and 2017, \$394,942 and \$384,128, respectively, was contributed to the plan for the benefit of the plan participants employed by the Center, which is included in fringe benefits in the statements of activities.

**REGINA COELI CHILD DEVELOPMENT CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**4. Notes Payable**

A summary of notes payable for purchases of Head Start facilities is as follows:

	<u>2018</u>	<u>2017</u>
4.875% Mortgage payable to U.S.D.A. Rural Economic and Community Development, secured by real estate, due in monthly installments of \$3,933 through August 2027.	\$ 352,591	\$ 381,821
6.00% Mortgage payable to an individual, secured by real estate, due in monthly installments of \$3,575 through October 2023.	195,901	228,041
Variable rate revenue bonds payable to a bank, secured by letter of credit from another bank, due in monthly payments of interest only, and one principal payment annually through July 2024. Fees for this loan include a trustee fee of \$1,500 annually, a remarketing fee of \$875 quarterly and a quarterly letter of credit fee calculated at 1.25% per annum of the outstanding principal balance. Variable interest rate, based on Barclays index, at May 31, 2018 and 2017.	619,918	907,418
4.89% Mortgage payable to a bank, secured by real estate. The terms of this agreement were updated during fiscal year 2018. Payment is due in monthly installments of \$4,538 through May 2022, with a lump sum final payment due June 1, 2022.	<u>551,256</u>	<u>575,885</u>
Total	1,719,766	2,093,165
Less: current portion	<u>(916,275)</u>	<u>(929,845)</u>
Total long-term portion	803,391	1,163,320
Less: loan issuance costs	<u>(19,860)</u>	<u>(23,170)</u>
Total long-term notes payable, net	<u>\$ 783,531</u>	<u>\$ 1,140,150</u>

**REGINA COELI CHILD DEVELOPMENT CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**4. Notes Payable (continued)**

The Center makes monthly payments on the revenue bonds to the paying agent who deposits the payments into an escrow account until the due date of the principal. The Center considers these monthly payments to the escrow agent as principal payments on variable rate revenue bonds.

Principal payments on notes payable required in future years as of May 31, 2018, are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 916,275
2020	383,577
2021	69,772
2022	73,675
2023	77,799
Thereafter	<u>198,668</u>
Total	<u>\$ 1,719,766</u>

The Center's credit agreements require certain covenants to be met at the end of each fiscal year. As of May 31, 2018, the Center was not in compliance with a requirements related to the timing of financial reporting as well as a required fixed charge coverage ratio. The Center did not obtain waivers for these requirements. As a result, the mortgage payable in the amount of \$551,256 has been presented as a current liability in the financial statements for the fiscal year ended May 31, 2018.

In 2005, the Center incurred loan issuance costs of \$66,200. The Center amortizes these loan costs annually. The amortization expense was \$3,310 for each of the years ended May 31, 2018 and 2017 and is reported in the statement of activities as interest expense.

**5. Operating Leases**

The Center has commitments on one lease agreement for space rental as of May 31, 2018, as follows:

<u>Location in Louisiana</u>	<u>Lease Expiration</u>	<u>Monthly Payment</u>
Central Tangipahoa Head Start	September 2024	\$ 2,100

Total lease expense included in occupancy expense in the accompanying financial statements for obligations under this lease was \$29,235 and \$25,200 for years ended May 31, 2018 and 2017, respectively. Annual lease commitments required in future years as of May 31, 2018, are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 25,200
2020	26,000
2021	26,400
2022	26,400
2023	26,400
Thereafter	<u>35,200</u>
Total	<u>\$ 165,600</u>

## REGINA COELI CHILD DEVELOPMENT CENTER

### NOTES TO FINANCIAL STATEMENTS

#### **6. Restrictions on Assets**

All assets acquired with Department of Health and Human Services funds are owned by the Center while used in the Head Start program for which they were purchased. The Department of Health and Human Services, however, has a reversionary interest in the assets purchased with grant funds, which includes all assets reported as fixed assets. Therefore, the disposition of these assets, as well as the ownership of any sale proceeds, is subject to the requirements of the Department of Health and Human Services.

#### **7. Contingencies**

##### Use of Land

On January 30, 1998, the Center executed a cooperative endeavor agreement with the Louisiana Board of Trustees for State Colleges and Universities. Pursuant to the agreement, the Center receives the use of land for its center located on the campus of Southeastern Louisiana University at no cost for an initial term of fifteen years. In February 2013, an amendment to the original agreement was signed, amending the original term of the agreement to twenty years. At termination of the agreement or upon default of the Center, the modular buildings at that location would have to be relocated.

##### Grant Programs

The Center participates in a number of federal programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of May 31, 2018 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Center.

#### **8. Board of Directors Compensation**

The members of the Center's board of directors were not compensated during the years ended May 31, 2018 and 2017.

#### **9. Economic Dependency**

The Center receives the majority of its revenue in the form of grants from the U.S. Department of Health and Human Services. The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of funds the Center receives could be reduced significantly and have an adverse impact on its operations. Additionally, the Center must resubmit applications for federal funding every 5 years (funding is awarded in 5-year blocks). The Center intends to resubmit its funding application to the federal government in November 2018 for the new grant period to begin June 1, 2019. The loss or significant reduction of federal programs funding could have a material adverse effect on the Center's operations.

**REGINA COELI CHILD DEVELOPMENT CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**10. Insurance Proceeds**

In August 2017, prolonged rainfall resulted in catastrophic flooding in the southern part of Louisiana that severely damaged two of the Center's fourteen locations and resulted in curtailed operations at most locations for a period of time. Insurance recoveries related to this event were recognized when probable of receipt. During the year ended May 31, 2017, the Center recognized insurance proceeds revenue of \$658,921. This amount is reported as other income in the statement of activities. Of this amount, \$349,567 is included in insurance receivable in the statement of financial position at May 31, 2017.

**11. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 30, 2018, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SUPPLEMENTARY INFORMATION**

**REGINA COELI CHILD DEVELOPMENT CENTER**

**SCHEDULE OF COMPENSATION, BENEFITS, AND  
OTHER PAYMENTS TO AGENCY HEAD  
YEAR ENDED MAY 31, 2018**

**Agency Head: Susan Spring, Executive Director**

<b><u>Purpose:</u></b>	<b><u>Amount</u></b>
Salary	\$ 84,454
Benefits – life insurance	52
Benefits - retirement	1,900
Car related expenses	393
Reimbursements	64
Per diem	550
Conference travel	861
Travel – hotels/housing	1,656
Total	<u>\$ 89,930</u>

**REGINA COELI CHILD DEVELOPMENT CENTER**

**SCHEDULE OF INSURANCE COVERAGE**

**(UNAUDITED)**

**AS OF MAY 31, 2018**

Insurer	Policy Exp. Date	Type of Coverage	Amount of Coverage	
New Hampshire Ins. Co.	5/2018	Business Auto		
		Combined Single Limit	\$ 1,000,000	
			Medical Expense	5,000
	5/2018	General Liability		
		Aggregate	\$ 3,000,000	
		Products/Completed Operations	3,000,000	
		Personal/Advertising	1,000,000	
		Bodily Injury & Property Damage	100,000	
		Fire Damage	100,000	
		Medical Expense	5,000	
		Professional Liability		
		Aggregate	3,000,000	
		Each Incident	1,000,000	
		Sexual or Physical Abuse	1,000,000	
		Employee Benefits Liability	1,000,000	
		Inland Marine	\$ 21,188	
		Commercial Property		
Buildings		\$ 16,392,700		
Personal Property	3,319,600			
Fencing	81,000			
Playground Equipment	228,000			
Business Income Interruption	4,100,000			
Professional Liability	\$ 1,000,000			
National Union Fire Ins.	5/2018	Umbrella	\$ 5,000,000	
Arch Insurance Co.	5/2018	Student Accident		
		Benefit Maximum	\$ 250,000	
		Accidental Death	10,000	
		Accidental Dismemberment	10,000	
		Accidental Medical/Dental	50,000	
Travelers Insurance Co.	5/2018	WRAP Policy		
		Directors and Officers Liability	\$ 3,000,000	
		Employment Practices Liability	1,000,000	
		Fiduciary Liability	1,000,000	
		Settlement Program	100,000	
HIPAA Limit of Liability	100,000			
LWCC	5/2018	Workers Compensation		
		E.L. Each Accident	\$ 1,000,000	
		E.L. Disease – Ea Employee	1,000,000	
		E.L. Disease – Policy Limit	1,000,000	
Wright		Flood Insurance - Building		
	4/2019	Robert Head Start	\$ 500,000	
	4/2019	Robert Warehouse	188,000	
	8/2018	Robert Mechanic Shop	60,000	
	1/2019	Lacombe Head Start	500,000	
	1/2019	Slidell Head Start	500,000	
	8/2018	Pearl River Head Start	500,000	
	6/2018	Covington Head Start	500,000	
	6/2018	Covington Early Head Start	500,000	
		Flood Insurance - Contents		
	4/2019	Robert Head Start	\$ 281,500	
	4/2019	Robert Warehouse	50,000	
	8/2018	Robert Mechanic Shop	55,100	
	1/2019	Lacombe Head Start	165,400	
	1/2019	Slidell Head Start	157,500	
	8/2018	Pearl River Head Start	200,000	
	6/2018	Covington Head Start	300,000	
	6/2018	Covington Early Head Start	200,000	

---

**REGINA COELI CHILD DEVELOPMENT CENTER**

**SINGLE AUDIT REPORT**

**MAY 31, 2018**

---



Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**REGINA COELI CHILD DEVELOPMENT CENTER**

**SINGLE AUDIT REPORT**

**MAY 31, 2018**

## CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Summary Schedule of Findings and Questioned Costs	8

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  
Regina Coeli Child Development Center

We have audited, in accordance with the 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 financial statements of Regina Coeli Child Development Center (the Center) (a nonprofit organization), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Regina Coeli Child Development Center's internal control over financial reporting (internal control) to determine the audit 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

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

### 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 results 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.

*Postlethwaite & Netterville*

Metairie, Louisiana  
November 30, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Regina Coeli Child Development Center

**Report on Compliance for Each Major Federal Program**

We have audited the Regina Coeli Child Development Center's (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Regina Coeli Child Development Center's major federal programs for the year ended May 31, 2018. Regina Coeli Child Development Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regina Coeli Child Development Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Center's compliance.

**Opinion on Major Federal Programs**

In our opinion, Regina Coeli Child Development Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended May 31, 2018.

### Report on Internal Control Over Compliance

Management of the Regina Coeli Child Development Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regina Coeli Child Development Center's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Regina Coeli Child Development Center as of and for the year ended May 31, 2018, and have issued our report thereon dated November 30, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Postlethwaite & Netterville*

Metairie, Louisiana  
November 30, 2018

**REGINA COELI CHILD DEVELOPMENT CENTER**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MAY 31, 2018**

<b>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Pass-through programs from:			
Louisiana Department of Education			
Child Care Food Program	10.558	N/A	<u>\$ 1,265,533</u>
<b>U.S. Department of Health and Human Services</b>			
Head Start	93.600	06CH712604	14,545,248
Early Head Start Expansion	93.600	06HP00007701	<u>1,502,206</u>
Total U.S. Departments of Health and Human Services			<u>16,047,454</u>
 Total Federal Grants			<u><u>\$ 17,312,987</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**REGINA COELI CHILD DEVELOPMENT CENTER**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MAY 31, 2018**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Center under programs of the federal government for the year ended May 31, 2018. 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). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. There were no federal awards passed through to other agencies during the year.

**3. Community Facilities Loans**

As of May 31, 2018, Regina Coeli Child Development Center had a loan outstanding to the U.S. Department of Agriculture as follows:

Livingston Center	<u>\$ 352,591</u>
-------------------	-------------------

The above loan is not included in the schedule of expenditures of federal awards because there are no related compliance requirements other than timely payment and the requirement of certain restricted cash as described in Note 5 to the financial statements.

**4. Relationship to Financial Statements**

Federal awards are included in the Statement of Activities of the Center as grants revenue.

**5. De Minimis Cost Rate**

During the year ended May 31, 2018, the Center did not elect to use the 10% de minimis cost rate as covered in §200.414 of the Uniform Guidance.

**REGINA COELI CHILD DEVELOPMENT CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MAY 31, 2018**

**(A) Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified:	<u>No</u>
• Significant deficiency(ies) identified that are not considered to be material weaknesses:	<u>None reported</u>
Noncompliance material to the financial statements:	<u>No</u>

*Federal Awards*

Internal control over major programs:	
• Material weakness(es) identified?	<u>No</u>
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings which are required to be reported in accordance with Uniform Guidance?	<u>No</u>
Identification of major programs:	
U.S. Department of Health and Human Services Head Start/Early Head Start	93.600
U.S. Department of Agriculture Pass-through programs from: Louisiana Department of Education Child Care Food Program	10.558
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as a low-risk auditee?	<u>No</u>

**REGINA COELI CHILD DEVELOPMENT CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MAY 31, 2018**

(B) **Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards**

None reported.

(C) **Findings and Questioned Costs Relating to Federal Awards**

None reported.

Independent Accountant's Report  
On Applying Agreed-Upon Procedures  
For the Year Ended May 31, 2018

To Board of Directors of Regina Coeli Child Development Center and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Regina Coeli Child Development Center (the Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2017 through May 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity."

---

***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that 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.

*No exception noted.*

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.

*The Entity has written policies and procedures for purchasing. However, they do not contain attribute (2) how vendors are added to the vendor list.*

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

*No exception noted.*

- d) **Receipts**, 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).

*No exception noted.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*No exception noted.*

- 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.

*The Entity has written policies and procedures for purchasing. However, they do not contain attributes (3) legal review and (5) monitoring process.*

- 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).

*No exception noted.*

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

*The Entity has written policies and procedures for travel and expense reimbursements. However, they do not contain attribute (2) dollar thresholds by category of expense.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*This step is not applicable for the Entity.*

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

*The Entity does not have a written policy for Debt Service.*

### *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.

*In accordance with the Entity's bylaws, the Board of the Entity met with a quorum each month during the fiscal year, with the exception of January 2018.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit 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.*

*No exception noted for the eleven months in which meetings occurred during the fiscal year.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

*This procedure is not applicable to the Entity.*

### *Bank Reconciliations*

---

3. Obtain a listing of client 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 selected each account, and observe that:

*A listing of bank accounts was provided and included a total of 2 bank accounts used in the Entity's daily business operations. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected the 2 bank accounts and obtained the bank reconciliations for the month ending May 31, 2018, resulting in 2 bank reconciliations obtained and subjected to the below procedures.*

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

*One bank reconciliation did not have evidence that it was prepared within two months of the statement closing date.*

- 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

*Of the 2 bank reconciliations obtained, neither reconciliation indicated the reviewers' initials or any other documentation evidencing the review.*

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

*Of the 2 bank accounts selected, 1 bank reconciliation had reconciling items that had been outstanding for more than 12 months. There was no documentation evidencing that these reconciling items were researched for proper disposition.*

### Collections

---

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).

*A listing of deposit sites was provided and included a total of 5 deposit sites. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 deposit sites and performed the procedures below.*

5. For each deposit site selected, obtain a listing of collection locations 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 listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 5 collection locations (one at each deposit site). No exceptions were noted as a result of performing this procedure.*

*From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

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

*No exception noted.*

- 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.

*No exception noted.*

- 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.

*No exception noted.*

- 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 verifies the reconciliation.

*No exception noted.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*The Entity stated that all employees who have access to cash are bonded and/or covered under the Entity's insurance policy.*

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:

*We randomly selected two deposit dates for the single bank account selected in procedure #3 that contains operating deposits. We obtained supporting documentation for each of the two deposits and performed the procedures below.*

- a) Observe that receipts are sequentially pre-numbered.

*No exception noted.*

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

*No exception noted.*

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

*No exception noted.*

- d) Observe that 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).

*No exception noted.*

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

*No exception noted.*

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

---

*The procedures under this heading, "Non-payroll Disbursements," were not performed, as single audit testing for the fiscal year ending May 31, 2018 was performed over these transactions.*

- 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 that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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.

*A listing of cards was provided. No exceptions were noted as a result of performing this procedure.*

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:

*From the listing provided, we randomly selected 5 cards (4 credit cards and 1 fuel card) used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.*

- a) Observe that 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) was reviewed and approved, in writing, 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.]]

*No exception noted.*

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

*No exception noted.*

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). For each transaction, observe that 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).

*We randomly selected 10 transactions for 4 of the 5 cards selected in procedure #12 (the fuel card excluded) and performed the specified procedures. No exception noted.*

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:

*The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*Of the 5 reimbursements selected for our procedures, none used a per diem.*

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

*No exception noted.*

- c) Observe that 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).

*No exception noted.*

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

*No exception noted.*

### ***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:

*An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 contracts and performed the procedures below.*

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

*Each of the 5 contracts selected for our procedures was subject to Louisiana Public Bid Law. No exception noted.*

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

*No exception noted.*

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*None of the 5 contracts selected for testing had contract amendments during the fiscal year.*

- 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 that the invoice and related payment agreed to the terms and conditions of the contract.

*We randomly selected 1 payment for each of the 5 contracts selected in procedure #15 and performed the specified procedures. No exception noted.*

### ***Payroll and Personnel***

---

*The procedures under this heading, "Payroll and Personnel," were not performed, as single audit testing for the fiscal year ending May 31, 2018 was performed over these transactions.*

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/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/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:
- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

### *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 that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*This procedure is not applicable.*

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*This procedure is not applicable.*

### *Debt Service*

---

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

*The Entity did not issue bonds/notes during the fiscal year. Thus, this procedure is not applicable.*

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.

*A listing of bonds/notes outstanding at the end of the fiscal year was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 1 bond/note and performed the specified procedures. No exceptions noted.*

### *Other*

---

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.

*A listing of misappropriations of public funds and assets during the fiscal year was provided., which noted no such misappropriations.*

24. Observe that 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.

*The notice was not posted on the Entity's website.*

Corrective Action

---

25. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

Written Policies and Procedures

1. b) *New vendors are added to the system by the Accounts Payable Clerk. A new vendor is only added after proper paperwork is received (new contract, Form W-4).*
- h) *Travel and expense reimbursement – (2) There are no threshold amounts listed because it has been the Entity's position to repay employees for any expenses incurred for legitimate business expenses.*

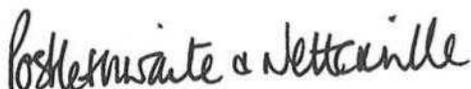
Bank Reconciliations

3. a) *All reconciliations are done monthly upon receipt of the bank statements.*
- b) *The reconciliations that are in question were ones in which a computer glitch caused incorrect amounts to appear on the reconciliation. These were originally discovered at the time the reconciliation was performed. After researching the situation and contacting customer support, they said that the problem would be fixed in the next update. The update did not come out until after the audit team was doing fieldwork. Once the update was installed on the system, the reports printed correctly and they were sent to the auditors without being initialed by the Financial Controller.*
- c) *There are approximately five items on the reconciliation that are over 12 months, all have been researched to make sure that they have not been duplicated elsewhere. The majority of these items were written to Sheriff's departments for collection of employee garnishments. These items will be removed from the bank reconciliation and handled properly.*

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is 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.

Sincerely,



November 30, 2018



30<sup>th</sup> Floor, Energy Centre, 1100 Poydras Street - New Orleans, LA 70163-3000  
One Galleria Boulevard, Suite 2100 - Metairie, LA 70001  
800-201-7332 Phone - 504-837-5990 Phone - 504-834-3609 Fax - [pncpa.com](http://pncpa.com)

*A Professional Accounting Corporation*

The Board of Trustees  
Regina Coeli Child Development Center  
Robert, Louisiana

In planning and performing our audit of the financial statements of Regina Coeli Child Development Center (the Center) as of and for the year ended May 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's 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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. During our audit we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 30, 2018 on the financial statements of the Center.

Our comments are summarized in Appendix A which also contains management's response to the current year comments. Appendix B summarizes updates to our prior year comments.

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

*Postlethwaite & Netterville*

Metairie, Louisiana  
November 30, 2018

**REGINA COELI CHILD DEVELOPMENT CENTER**  
**MAY 31, 2018**  
**CURRENT YEAR COMMENTS AND MANAGEMENT'S RESPONSE**

1) *Financial statement reconciliation and year-end close process*

During current year audit fieldwork, the audit team was provided with many adjustments to the trial balance. Although the impact to the income statement was not material, final balance sheet reconciliations and the year-end close process were not completed prior to fieldwork. These adjustments primarily impacted the areas of property and equipment, payroll liabilities, accounts receivable, and revenue. If these reconciliations are not performed timely and on a regular basis, this may also lead to inconsistent internal financial reporting during the year. We recommend that management set a schedule to regularly and timely reconcile balance sheet items, ensuring that all reconciliations and adjustments are completed prior to the commencement of audit fieldwork.

*Management's Response*

We will take the recommendations given and apply them during this years operations. It has been an ongoing process to clean up old items from previous years transactions. We feel that this year will be the final year of that process. There will still be some items (property and equipment) that will be finished during the audit phase because of the nature of the items.

**REGINA COELI CHILD DEVELOPMENT CENTER**  
**MAY 31, 2018**  
**SUMMARY OF PRIOR YEAR COMMENTS**

**1) Financial statement reconciliation and year-end close process**

During current year audit fieldwork, the audit team was provided with several adjustments to the trial balance. Although the impact to the income statement was not material, final balance sheet reconciliations and the year-end close process were not completed prior to fieldwork. These adjustments primarily impacted the areas of property and equipment and payroll liabilities. If these reconciliations are not performed timely and on a regular basis, this may also lead to inconsistent internal financial reporting during the year. We recommend that management set a schedule to regularly and timely reconcile balance sheet items, especially at year end prior to audit fieldwork.

Current year status

A similar comment is included in current year recommendations.

**2) Debt covenant compliance calculations**

Management does not regularly review and calculate ratios related to debt covenant compliance requirements. As a result, management was not aware of non-compliance with a covenant ratio as of May 31, 2017 until calculated by the auditor. A waiver was not able to be obtained from the financial institution prior to financial statement issuance, resulting in the debt balance being presented as a current liability in the fiscal year 2017 financial statements. We recommend that management perform timely calculations of debt covenant ratios.

Current year status

The Center's management has represented a review of debt covenant calculations is performed regularly. However, the Center is not in compliance with debt covenants on one debt instrument as of May 31, 2018 and 2017. As of the time of issuance of the 2018 report, the financial institution has not issued a waiver on the debt covenants. Accordingly, the balance on this debt is presented as a current liability in the 2018 and 2017 financial statements.