
REGINA COELI CHILD DEVELOPMENT CENTER

FINANCIAL STATEMENTS

MAY 31, 2019

REGINA COELI CHILD DEVELOPMENT CENTER

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MAY 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2019 and 2018, the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Center adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

Other Matters

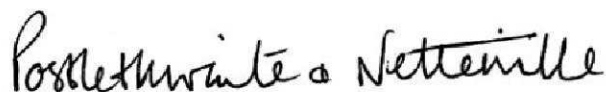
Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 18 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 19, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated November 25, 2019, 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 solely 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 25, 2019

REGINA COELI CHILD DEVELOPMENT CENTER
ROBERT, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
MAY 31, 2019 AND 2018

A S S E T S

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 231,933	\$ 240,920
Grants receivable	420,399	730,548
Prepaid expenses and other assets	2,107	2,107
Total current assets	<u>654,439</u>	<u>973,575</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Land	999,658	999,658
Buildings	10,695,705	10,695,705
Leasehold improvements	1,692,966	1,569,045
Vehicles	1,347,861	1,262,921
Equipment	754,714	732,940
	<u>15,490,904</u>	<u>15,260,269</u>
Less: accumulated depreciation and amortization	<u>(7,082,478)</u>	<u>(6,560,855)</u>
Total property and equipment, net	<u>8,408,426</u>	<u>8,699,414</u>
<u>OTHER ASSETS:</u>		
Restricted cash for loan repayment	80,368	80,720
Total other assets	<u>80,368</u>	<u>80,720</u>
Total assets	<u><u>\$ 9,143,233</u></u>	<u><u>\$ 9,753,709</u></u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts payable and accrued expenses	\$ 865,849	\$ 1,181,347
Notes payable, current portion	890,421	916,275
Total current liabilities	<u>1,756,270</u>	<u>2,097,622</u>
<u>LONG-TERM LIABILITIES:</u>		
Notes payable, net of current portion	418,610	783,531
Total long-term liabilities	<u>418,610</u>	<u>783,531</u>
Total liabilities	<u>2,174,880</u>	<u>2,881,153</u>
<u>NET ASSETS:</u>		
Without donor restrictions	6,968,353	6,872,556
Total liabilities and net assets	<u><u>\$ 9,143,233</u></u>	<u><u>\$ 9,753,709</u></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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>REVENUES WITHOUT DONOR RESTRICTIONS:</u>		
Grant revenue	\$ 17,500,697	\$ 17,312,987
Contributed goods and services	790,209	957,416
Contributions	116,974	132,978
Other income	<u>50,701</u>	<u>106,773</u>
Total revenues without donor restrictions	<u>18,458,581</u>	<u>18,510,154</u>
<u>EXPENSES:</u>		
Program	16,629,101	15,923,885
Management and general	1,728,281	1,992,060
Fundraising	<u>5,402</u>	<u>5,887</u>
Total expenses	<u>18,362,784</u>	<u>17,921,832</u>
<u>CHANGE IN NET ASSETS</u>	95,797	588,322
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>6,872,556</u>	<u>6,284,234</u>
<u>NET ASSETS AT END OF YEAR</u>	<u><u>\$ 6,968,353</u></u>	<u><u>\$ 6,872,556</u></u>

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

REGINA COELI CHILD DEVELOPMENT CENTER
ROBERT, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2019

	Program	Management and General	Fundraising	Total
Personnel	\$ 10,079,652	\$ 1,103,234	\$ -	\$ 11,182,886
Fringe benefits	1,582,910	2,147	-	1,585,057
Occupancy	1,066,800	118,767	-	1,185,567
Contributed goods and services	790,209	-	-	790,209
Food costs	750,880	131	-	751,011
Other supplies	494,683	180,423	-	675,106
Depreciation	469,462	52,162	-	521,624
Travel	279,197	26,070	-	305,267
Consultants	31,001	124,310	-	155,311
Educational supplies	395,190	625	-	395,815
Other	324,801	62,608	-	387,409
Training	235,956	10,137	-	246,093
Insurance	58,147	25,129	-	83,276
Interest	70,213	22,538	-	92,751
Fundraising costs	-	-	5,402	5,402
Total	<u>\$ 16,629,101</u>	<u>\$ 1,728,281</u>	<u>\$ 5,402</u>	<u>\$ 18,362,784</u>

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

REGINA COELI CHILD DEVELOPMENT CENTER
ROBERT, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2018

	Program	Management and General	Fundraising	Total
Personnel	\$ 9,601,957	\$ 1,057,989	\$ -	\$ 10,659,946
Fringe benefits	1,630,173	319,010	-	1,949,183
Occupancy	1,014,284	138,954	-	1,153,238
Contributed goods and services	957,416	-	-	957,416
Food costs	717,999	130	-	718,129
Other supplies	292,077	152,456	-	444,533
Depreciation	442,952	60,402	-	503,354
Travel	303,996	25,899	-	329,895
Consultants	39,748	97,185	-	136,933
Educational supplies	331,491	71	-	331,562
Other	178,723	86,343	-	265,066
Training	236,417	3,538	-	239,955
Insurance	61,742	23,378	-	85,120
Interest	79,063	26,705	-	105,768
Fundraising costs	-	-	5,887	5,887
Loss on disposal of assets	35,847	-	-	35,847
Total	<u>\$ 15,923,885</u>	<u>\$ 1,992,060</u>	<u>\$ 5,887</u>	<u>\$ 17,921,832</u>

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 95,797	\$ 588,322
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	-	35,847
Depreciation and amortization	524,934	506,664
Changes in operating assets and liabilities:		
Decrease (increase) in grants receivable	310,149	(164,558)
Decrease in insurance receivable	-	349,567
Decrease in prepaid expenses and other assets	-	74
Decrease in accounts payable and accrued expenses	<u>(396,704)</u>	<u>(65,755)</u>
Net cash provided by operating activities	<u>534,176</u>	<u>1,250,161</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(149,430)	(948,755)
Proceeds from the sale of property and equipment	<u>-</u>	<u>14,700</u>
Net cash used in investing activities	<u>(149,430)</u>	<u>(934,055)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal payments on notes payable	<u>(394,085)</u>	<u>(373,499)</u>
Net cash used in financing activities	<u>(394,085)</u>	<u>(373,499)</u>
Net change in cash and cash equivalents	(9,339)	(57,393)
Cash, cash equivalents, and restricted cash, beginning of year	<u>321,640</u>	<u>379,033</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 312,301</u>	<u>\$ 321,640</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest expense	<u>\$ 92,751</u>	<u>\$ 105,768</u>
Accounts payable for property and equipment	<u>\$ 81,206</u>	<u>\$ 3,734</u>
<u>Reconciliation of cash, cash equivalents, and restricted cash reported:</u>		
Cash and cash equivalents	\$ 231,933	\$ 240,920
Restricted cash	80,368	80,720
Total cash, cash equivalents, and restricted cash reported	<u>\$ 312,301</u>	<u>\$ 321,640</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 twenty-one 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 services to 2,088 and 1,991 children during the years ended May 31, 2019 and 2018, 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 Presentation

The financial statements of the Center have been prepared on an accrual basis in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. For the years ended May 31, 2019 and 2018, the Center had no revenues or net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

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 and an estimated useful life of over five years 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:

Description	Estimated Lives
Buildings	40 Years
Modular buildings	15 – 20 Years
Vehicles	10 Years
Equipment	5 – 10 Years
Leasehold improvements	10 – 30 Years

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 2019 or 2018.

Restricted Cash

Restricted cash reported as a non-current asset on the Statements of Financial Position is restricted by the United States Department of Agriculture in order to conform to certain debt covenants.

Grant Revenue

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 and earned as the meals are provided.

Functional Expenses

The functional expenses have been summarized between program costs, general and administrative, and fundraising. Costs directly related to a particular function are charged based on actual costs. There are some costs that are allocated between Program and General and Administrative when both functions are benefitted by the same cost. These allocations are determined by management on an equitable basis.

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Functional Expenses (continued)

These expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Based on student enrollment
Education	Based on student enrollment
Occupancy	Based on square footage
Information technologies	Based on student enrollment
Travel	Based on student enrollment
Depreciation	Based on square footage
Utilities	Based on square footage
Other	Based on student enrollment

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. Services valued at \$2,897,841 and \$2,656,642 during the years ended May 31, 2019 and 2018, respectively, did not meet the criteria of U.S. GAAP and were not recognized. The following is a recap of in-kind contributions recognized in the years ended May 31:

	2019	2018
Occupancy and other operating expenses	\$ 340,529	\$ 357,346
Supplies	284,690	273,878
Rental of facilities	119,575	269,335
Transportation	22,351	22,666
Other services	23,064	34,191
Total	<u>\$ 790,209</u>	<u>\$ 957,416</u>

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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 Center is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Center has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Center has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

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

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has implemented this ASU during 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The adoption of this ASU had no impact to net assets of the Center.

In November 2016, FASB issued ASU No. 2016-18, *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. The ASU has been applied retrospectively to all periods presented. The adoption of this ASU had no impact to net assets of the Center.

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. The ASU has been applied retrospectively to all periods presented. The adoption of this ASU had no impact to net assets of the Center.

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Issued But Not Yet Adopted

In June 2018, 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 be effective for the Center's fiscal year ending May 31, 2020.

In February 2017, 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 be effective for the Center's fiscal year ending May 31, 2020.

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

2. Liquidity and Availability

The Center receives approximately 95% of its funding from federal grants and raises the remaining portion through local efforts (non-federal share). These grants operate on a reimbursement basis. Because all assets owned by the Center were purchased with federal funds, the federal government retains a right (federal notice of interest) in ownership of these assets, and the Center is restricted from selling any or all assets. The Center is not allowed to maintain reserves or sell assets without federal approval. Should the Center lose federal grant funding, the Center would cease operations and would receive funds from the Office of Head Start (OHS) to settle any outstanding operating expenses and cover payroll expenses through the closing date. OHS would then work with the Center to transfer assets and liabilities of the Center to a new grantee.

The following represents the Center's financial assets at May 31:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 231,933	\$ 240,920
Restricted cash	80,368	80,720
Grants receivable	420,399	730,548
Total financial assets	732,700	1,052,188
Less amounts not available to be used within one year:		
Restricted cash	80,368	80,720
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 652,332</u>	<u>\$ 971,468</u>

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

3. Grants Receivable

Grants receivable at May 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Federal Grants		
Head Start Program	\$ 238,882	\$ 489,190
Child Care Food Program	181,517	241,358
Total	<u>\$ 420,399</u>	<u>\$ 730,548</u>

4. 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 his or her 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:

Year	Percent
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, 2019 and 2018, \$0 and \$394,942, 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

5. Notes Payable

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

	<u>2019</u>	<u>2018</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.	\$ 330,549	\$ 352,591
6.00% Mortgage payable to an individual, secured by real estate, due in monthly installments of \$3,575 through October 2023.	167,961	195,901
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. Weekly variable interest rate, based on Barclays index, at May 31, 2019 and 2018.	302,418	619,918
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>524,653</u>	<u>551,256</u>
Total	1,325,581	1,719,666
Less: current portion	<u>(890,421)</u>	<u>(916,275)</u>
Total long-term portion	435,160	803,391
Less: loan issuance costs, long-term portion	<u>(16,550)</u>	<u>(19,860)</u>
Total long-term notes payable, net	<u>\$ 418,610</u>	<u>\$ 783,531</u>

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

5. 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, 2019, are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 890,421
2021	69,772
2022	73,675
2023	77,799
2024	69,975
Thereafter	143,939
Total	<u>\$ 1,325,581</u>

The Center's credit agreements require certain covenants to be met at the end of each fiscal year. As of May 31, 2019 and 2018, the Center was not in compliance with a requirement 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 \$524,653 and \$551,256 has been presented as a current liability in the financial statements for the fiscal years ended May 31, 2019 and 2018, respectively.

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, 2019 and 2018 and is reported in the Statements of Activities as interest expense.

6. Operating Leases

The Center has commitments on one lease agreement for space rental as of May 31, 2019, 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 \$40,388 and \$26,976 for the years ended May 31, 2019 and 2018, respectively. Annual lease commitments required in future years as of May 31, 2019, are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 26,000
2021	26,400
2022	26,400
2023	26,400
2024	26,400
Thereafter	8,800
Total	<u>\$ 140,400</u>

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

7. 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.

8. 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, 2019 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.

9. Board of Directors Compensation

The members of the Center's board of directors were not compensated during the years ended May 31, 2019 and 2018.

10. 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 loss or significant reduction of federal programs funding could have a material adverse effect on the Center's operations. In June 2019, the Center's Head Start and Early Head Start federal grant funding was renewed through May 31, 2024.

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 25, 2019, and determined that no events, other than the item disclosed in Note 10, 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, 2019

Agency Head: Susan Spring, Executive Director

<u>Purpose:</u>	<u>Amount</u>
Salary	\$ 88,379
Benefits – life insurance	55
Benefits - retirement	1,989
Car related expenses	446
Reimbursements	55
Per diem	489
Conference travel	753
Travel – hotels/housing	1,484
Total	<u>\$ 93,650</u>

See independent auditors' report.

REGINA COELI CHILD DEVELOPMENT CENTER
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
AS OF MAY 31, 2019

Insurer	Policy Exp. Date	Type of Coverage	Amount of Coverage
GuideOne Insurance 1828939	6/1/2019- 5/31/2020	Business Auto	
		Combined Single Limit	1,000,000.00
		Medical Expense	5,000.00
GuideOne Insurance 1451548	6/1/2019- 5/31/2020	General Liability	
		Aggregate	3,000,000.00
		Products/Completed Operations	3,000,000.00
		Personal/Advertising	1,000,000.00
		Bodily Injury & Property Damage	100,000.00
		Fire Damage	100,000.00
		Medical Expense	5,000.00
		Professional Liability	
		Aggregate	3,000,000.00
		Each Incident	1,000,000.00
		Sexual or Physical Abuse	
		Each/Aggregate	1,000,000.00
Lloyds of London 640965	6/1/2019- 5/31/2020	Employee Benefits Liability	
		Each/Aggregate	1,000,000.00
		Inland Marine	
		Commercial Property	
		Buildings	16,224,700.00
		Personal Property	4,339,100.00
		Fencing	81,000.00
GuideOne Insurance 1451549	6/1/2019- 5/31/2020	Playground Equipment	228,000.00
		Business Income Interruption	4,500,000.00
		Professional Liability	1,000,000.00
		Umbrella	5,000,000.00
		Student Accident	
National Union Fire Ins SRG0009154856	6/1/2019- 5/31/2020	Benefit Maximum	500,000.00
Travelers Insurance Company	6/1/2019- 5/31/2020	WRAP Policy	
		Directors and Officers Liability	3,000,000.00
		Employment Practices Liability	1,000,000.00
		Fiduciary Liability	1,000,000.00
		Settlement Program	100,000.00
		HIPAA Limit of Liability	100,000.00
LWCC 22373B	6/1/2019- 5/31/2020	Workers Compensation	1,000,000.00
		E.L. Each Accident	1,000,000.00
		E.L. Disease - Each Employee	1,000,000.00
		E.L. Disease - Policy Limit	
Wright		Flood Insurance - Building	
	4/2020	Robert Head Start	500,000.00
	4/2020	Robert Warehouse	275,300.00
	8/2020	Robert Mechanic Shop	66,600.00
	1/2020	Lacombe Head Start	500,000.00
	1/2020	Slidell Head Start	500,000.00
	8/2020	Pearl River Head Start	500,000.00
	6/2020	Covington Head Start	500,000.00
	6/2020	Covington Early Head Start	500,000.00
	6/2020	Livingston Head Start	500,000.00
		Flood Insurance - Contents	
	4/2020	Robert Head Start	463,100.00
	4/2020	Robert Warehouse	60,800.00
	8/2020	Robert Mechanic Shop	57,900.00
	1/2020	Lacombe Head Start	220,500.00
	1/2020	Slidell Head Start	182,400.00
	8/2020	Pearl River Head Start	400,000.00
	6/2020	Covington Head Start	300,000.00
	6/2020	Covington Early Head Start	250,000.00
	6/2020	Livingston Head Start	183,800.00

REGINA COELI CHILD DEVELOPMENT CENTER

SINGLE AUDIT REPORT

MAY 31, 2019

REGINA COELI CHILD DEVELOPMENT CENTER

SINGLE AUDIT REPORT

MAY 31, 2019

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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
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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2019.

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.

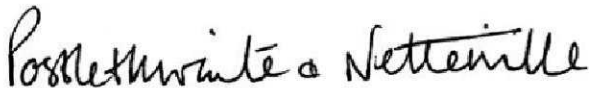
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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.



Metairie, Louisiana
November 25, 2019

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 the Regina Coeli Child Development Center's major federal program for the year ended May 31, 2019. Regina Coeli Child Development Center's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Center's major federal program 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 program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Major Federal Program

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 program for the year ended May 31, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, 2019, and have issued our report thereon dated November 25, 2019, 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.



Metairie, Louisiana
November 25, 2019

REGINA COELI CHILD DEVELOPMENT CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2019

Federal Grantor/Pass-Through Grantor/ Program Title/Program Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Care Food Program-Major Program (Passed through the Louisiana Department of Education)	10.558	N/A	<u>\$ 1,356,566</u>
U.S. Department of Health and Human Services			
Head Start/Early Head Start-Major Program	93.600	06CH7126-05	14,427,361
Early Head Start Expansion	93.600	06HP000077-02	<u>1,716,770</u>
Total U.S. Departments of Health and Human Services			<u>16,144,131</u>
Total Federal Grants			<u><u>\$ 17,500,697</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, 2019

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, 2019. 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, 2019, Regina Coeli Child Development Center had a loan outstanding to the U.S. Department of Agriculture as follows:

Livingston Center	<u>\$ 330,549</u>
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The above loan is not included in the Schedule 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, 2019, 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, 2019

(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 / Early Head Start Expansion	<u>93.600</u>
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, 2019

(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, 2019

To the 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, 2018 through May 31, 2019. 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," is indicated.

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 procedure is not applicable to 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.

No exception noted.

- 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.

- 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 two bank accounts used in the Entity's daily business operations. Management identified the Entity's main operating account as one of the two accounts noted above. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the two bank accounts and obtained the bank reconciliations for the month ending May 31, 2019, resulting in two bank reconciliations obtained and subjected to the procedures below.

- 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);

No exception noted.

- 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

No exception noted.

- 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 two bank accounts selected, one bank reconciliation had reconciling items that had been outstanding for more than twelve 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).

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.

- 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:

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.

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

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.

- 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.

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.

- 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.

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.

- 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.

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.

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

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.

- 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:

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.

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

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.

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

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.

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

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.

- 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).

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.

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

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.

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

The procedures under this heading, "Non-payroll Disbursements," were prorated for non-major program expenses, as single audit testing for the fiscal year ending May 31, 2019 was also 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).

Management provided a listing of the Entity's single location that processed payments for the fiscal period. Management provided a representation that the listing is complete. The single location identified was selected for testing based on the procedures outlined below.

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:

Management provided a listing of employees involved with non-payroll purchasing and payment functions. Management also provided written policies and procedures relating to employee job duties.

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

No exception noted.

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

No exception noted.

- 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.

The Entity's written policies and procedures do not address that the employee responsible for processing payments is prohibited from adding/modifying vendor files. Additionally, there is no procedure for periodic review of 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.

No exception noted

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.

This procedure was prorated for non-major program expenses, as single audit testing for the fiscal year ending May 31, 2019 was also performed over these transactions. This proration resulted in a single item being subjected to testing. No exception noted in the testing of this single item.

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

For the disbursement selected, the disbursement transaction included a single employee initiating the purchase request and placing the order/marketing the purchase. Separate employees were involved in processing, reviewing, and mailing the payment.

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.

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.

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:

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.

- 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.]]

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.

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

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.

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).

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.

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:

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.

- 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).

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.

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

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.

- 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).

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.

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

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.

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:

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.

- 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.

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.

- 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).

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.

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

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.

- 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.

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.

Payroll and Personnel

The procedures under this heading, "Payroll and Personnel," were prorated for non-major program expenses, as single audit testing for the fiscal year ending May 31, 2019 was also 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.

Management provided a listing of employees during the fiscal period, as well as representation that the listing is complete. Due to the proration noted above for non-major program expenses, two employees were selected for testing in the procedures below.

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.).

No exception noted for the two employees selected for testing.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Of the two employees selected for testing above, one had leave during the period. No exception noted for this single employee.

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

Of the two employees selected for testing above, one had leave during the period. No exception noted for this single employee.

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' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

Management represents that no employees received termination payments during the fiscal period.

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.

No exception noted.

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 to the Entity.

- 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 to the Entity.

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.

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.

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.

The Entity's management represents that there were no misappropriations of public funds and assets during the fiscal year.

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 posted on the Entity's website.

Corrective Action

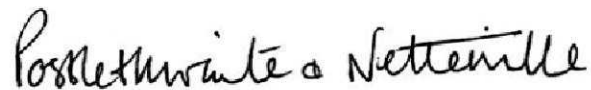
Written Policies and Procedures: The Entity will review written policies and procedures to determine if changes are warranted.

Bank Reconciliations: The Entity will review and revise bank reconciliation procedures to include a process for research of reconciling items outstanding.

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 25, 2019