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**REGINA COELI CHILD
DEVELOPMENT CENTER
FIN: 72-000604**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baker House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 05 - 20 - 2004

Audit of Financial Statements

**May 31, 2004
and
May 31, 2003**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Regina Coeli Child Development Center
Robert, Louisiana

We have audited the accompanying statements of financial position of REGINA COELI CHILD DEVELOPMENT CENTER (a nonprofit entity) as of May 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of REGINA COELI CHILD DEVELOPMENT CENTER's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REGINA COELI CHILD DEVELOPMENT CENTER as of May 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 18, 2004, on our consideration of REGINA COELI CHILD DEVELOPMENT CENTER's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of REGINA COOKE CHILD DEVELOPMENT CENTER taken as a whole. The accompanying schedule of federal awards by Catalog of Federal Domestic Assistance (CFDA) number and other financial assistance and the financial status reports - Head Start are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. These schedules have been prepared in compliance with the requirements of various funding sources, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying schedule of expenditures of federal revenues and schedule of total manifest are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Arthur J. King's Hall

A Professional Accounting Corporation

July 31, 2004

**QUEEN COLLEGE CHILD DEVELOPMENT CENTER
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	May 31,	
	2009	2008
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 108,734	\$ 109,760
Certificates of Deposit	1,346,941	-
Grants Receivable	820,844	781,400
Other Receivables	1,710	4,902
Investments	18,895	2,208
Prepaid Expenses	624	628
Total Current Assets	2,117,348	900,908
PROPERTY, PLANT AND EQUIPMENT		
Land	301,224	402,324
Buildings	4,890,049	4,779,489
Vehicles	578,788	923,620
Equipment	414,214	582,085
Leasehold Improvements	63,427	63,427
	6,847,692	6,751,945
Less: Accumulated Depreciation and Amortization	(2,638,824)	(2,879,822)
Total Property, Plant and Equipment, Net	4,208,868	3,872,123
OTHER ASSETS		
Loan Fees	66,268	-
Deposits	2,281	2,281
Total Other Assets	68,549	2,281
Total Assets	2,186,265	1,111,148
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 222,468	\$ 222,220
Accrued Payroll Expenses	892,698	773,831
Notes Payable	81,622	348,824
Capital Lease Payable	10,988	10,988
Total Current Liabilities	1,007,776	1,355,863
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	4,712,349	4,266,972
Capital Lease Payable, Net of Current Portion	7,480	70,666
Total Long-Term Liabilities	4,719,829	4,337,638
Total Liabilities	9,727,605	9,693,501
NET ASSETS - Unrestricted		
	1,258,660	1,397,647
Total Liabilities and Net Assets	1,186,265	1,111,148

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

**REGINA COELI CHILD DEVELOPMENT CENTER
STATEMENTS OF ACTIVITIES**

	For The Years Ended	
	May 31,	
	<u>2004</u>	<u>2003</u>
REVENUES		
Grants	\$12,711,829	\$11,778,842
Goods and Services Contributed	2,156,325	2,109,824
Cash Contributions	121,528	368,439
Other Income	46,830	144,783
Gain on Sale of Assets	-	5,880
	<hr/>	<hr/>
Total Revenues	15,234,492	14,207,768
EXPENSES		
Personnel	7,517,866	7,384,842
Goods and Services Contributed	2,356,135	2,181,824
Fringe Benefits	1,825,218	1,521,828
Occupancy	627,539	791,328
Food Costs	399,388	351,242
Travel	343,208	251,250
Depreciation	325,177	327,741
Other Supplies	387,546	323,320
Interest Expense	289,845	278,320
Educational Supplies	287,239	310,822
Insurance	150,060	128,748
Training	150,146	134,241
Contracts	127,865	129,882
Other	98,328	113,122
Fundraising Costs	46,829	31,125
	<hr/>	<hr/>
Total Expenses	14,894,815	14,168,548
INCREASE IN NET ASSETS	339,677	28,220
NET ASSETS - BEGINNING	<u>2,829,452</u>	<u>2,921,812</u>
NET ASSETS - ENDING	<u>\$ 3,169,129</u>	<u>\$ 2,950,032</u>

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

**REGINA-CORSE CHILD DEVELOPMENT CENTER
STATEMENTS OF CASH FLOWS**

	For The Year Ended July 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 259,681	\$ 38,688
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	315,071	327,781
Gain on Sale of Fixed Assets	-	(7,300)
Increase in Grants Receivable	(47,894)	(35,011)
Decrease (Increase) in Other Receivables	1,221	(3,213)
Decrease (Increase) in Inventory	977	(715)
Decrease (Increase) in Prepaid Expenses	(188)	486
Increase in Loan Fees	(66,288)	-
Increase in Deposits	-	(2,283)
Increase (Decrease) in Accounts Payable	2,175	(21,885)
Increase in Accrued Payroll Expenses	28,751	28,682
Total Adjustments	211,688	277,213
Net Cash Provided by Operating Activities	571,369	315,901
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Purchase of Property, Plant and Equipment	(813,882)	(751,875)
Proceeds from Sale of Fixed Assets	-	7,385
Purchase of Certificate of Deposit	(1,266,289)	-
Net Cash Used in Investing Activities	(2,080,161)	(1,844,570)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Notes Payable	4,000,000	28,788
Principal Payments on Notes Payable	(2,726,739)	(726,682)
Proceeds from Capital Lease Payable	-	34,278
Principal Payments on Capital Lease Payable	(28,688)	(2,872)
Net Cash Provided by (Used in) Financing Activities	1,244,573	(1,46,570)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	934	(35,289)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	187,362	122,073
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,188,716</u>	<u>\$ 86,784</u>

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

REGINA COELI CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
 May 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of REGINA COELI CHILD DEVELOPMENT CENTER's (the Center) significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

HISTORY OF CENTER

The Center is a non-profit corporation that operates Head Start programs in Southeast Louisiana. The Center has been in existence since 1969. It operates fifteen centers, including Head Start, Early Head Start and Migrant Head Start programs, in the five parishes of Livingston, St. Helena, St. Tammany, Tangipahoa, and Washington. The Center provided services to 1,889 and 1,473 children and families during the years ended May 31, 2004 and 2003, respectively. The goal of the Center is to improve the educational and recreational opportunity of those it serves.

PRESENTATION OF FINANCIAL STATEMENTS

The Center has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of the Not-for-Profit Organizations*. Under SFAS No. 117, 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 Organization is required to present a statement of cash flows.

The Center has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. The adoption had no cumulative effect on net assets at the date of the adoption. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor imposed time or purpose restrictions. All revenues from the Center's funding sources are deemed to be unrestricted.

SFAS No. 116 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.

The following is a recap of cash and in-kind contributions recognized in the years ended May 31, 2004 and 2003:

	2004	2003
Cash	\$ 133,328	\$ 165,429
Rental of facilities	77,318	53,600
Occupancy and other operating expenses	291,428	264,838
Supplies	335,160	280,348
Fuel and staff transportation	875,145	982,388
Services	872,642	596,348
	<u>\$ 2,465,021</u>	<u>\$ 2,322,951</u>

**REGINA COELI CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
May 31, 2004**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Services valued at \$1,127,891 and \$956,833 during the years ended May 31, 2004 and 2003, respectively, did not meet the criteria of SFAS No. 118 and were not recognized.

BASE OF ACCOUNTING

Basic of accounting refers to when revenues and expenses are recognized in the accounting period on the financial statements. The financial statements of the Center are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

GRANT CONTROLS/SUPPORT

The Head Start and Early Head Start funds from the Department of Health and Human Services are recognized as revenues based on the program's approved grant award. The Child Care Fund Program revenue is based on a predetermined reimbursement rate for the number of meals served.

The Center is required to ensure that expenditures under the various grants and reimbursement programs comply with the related grant or program guidelines for allowable costs. The funding agencies for these programs could require the return of expenditures that do not meet their guidelines.

GRANT AND REIMBURSEMENT CONTRACT REVENUES

Funds due from various funding sources under grants and reimbursement contracts are recognized as revenues in the accounting period when the expenses are incurred and the grant funds are earned.

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 these estimates.

CONCENTRATIONS OF CREDIT RISK

Over 70% of the Center's funds during the years ended May 31, 2004 and 2003, are derived from grants from the U.S. Department of Health and Human Services. Any loss of such funding could cause a severe financial impact on the Center's operations. Also, at May 31, 2004, cash in local banks exceeded Federal Deposit Insurance Corporation coverage by \$1,181,855.

COMPARATIVE DATA

Certain amounts previously reported in the prior year have been reclassified to conform to the classification used in the current year. Such reclassifications had no effect on reported income.

REGINA CORLI CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
May 31, 2004

NOTE B
GRANTS RECEIVABLE

The balance of grants receivable consists of the following:

	2004	2003
Federal Clinic		
Head Start Program	\$ 431,297	\$ 448,001
Early Head Start Program	-	145,443
Migrant Head Start Program	28,663	38,789
Child Care Food Program	175,484	165,877
Children's Trust Fund	4,000	1,188
	\$ 639,444	\$ 799,298

NOTE C
INVENTORY

Inventory consists of food used in the Child Care Food Program. Inventory is accounted for on a lower of cost or market (first in, first out) basis.

NOTE D
INCOME TAXES

The Center is exempt from Federal and state corporate income taxes under section 501 (c) (3) of the Internal Revenue Code.

NOTE E
STATEMENTS OF CASH FLOWS

For purposes of the Statements of Cash Flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash paid for interest during the years ended May 31, 2004 and 2003, totaled \$295,841 and \$275,230, respectively.

A capital lease obligation of \$14,375 was incurred during the year ended May 31, 2003 to purchase time-clock equipment and software. Also during the year ended May 31, 2003, the Center received a modular building and three vehicles with a total fair market value of \$97,800 upon the expiration of the Migrant Head Start program.

NOTE F
FIXED ASSETS

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

REGINA CORLI CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
 May 31, 2004

NOTE F
FIXED ASSETS (Continued)

Buildings, vehicles, equipment, and furniture 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 depreciable fixed assets is charged as an expense. Depreciation has been provided using the straight-line method. The estimated lives are as follows:

Buildings	40 Years
Modular Building	11 Years
Vehicles	10 Years
Equipment	3-10 Years
Furniture	10 Years

Leasehold improvements are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Amortization of the leasehold improvements is charged as an expense. Amortization has been provided using the straight-line method over the remaining lease term.

NOTE G
PENSION PLAN

Beginning January 1, 2003, the Center began sponsoring a profit-sharing plan under Section 408(c) of the Internal Revenue Code. All employees who are over 18 years of age are eligible to participate in the plan. Employees are enrolled as active participants on the first day of the month coinciding with or immediately following the date eligibility requirements are met. Participants may contribute from 1% to 100% of their compensation up 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 December 31. The plan has a five-year vesting schedule for employer contributions as follows:

Years	Percent
0 to less than 2	0%
2	25%
3	50%
4	75%
5 or more	100%

A member automatically becomes fully vested when he dies, incurs total disability or reaches age 65.

During the years ended May 31, 2004 and 2003, \$183,173 and \$196,496, respectively, was contributed to the plan for the benefit of the plan participants employed by the Center, which is included in fringe benefits on the statement of activities.

REGINA COELI CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
 May 31, 2004

NOTE B

NOTES PAYABLE

A summary of notes payable for purchase of fixed asset facilities and transportation equipment is as follows:

	2004	2003
9.00% Mortgage payable to a bank, secured by real estate, due in monthly installments of \$765 through April 2004	\$ -	\$ 7,874
8.25% Mortgage payable to a bank, secured by real estate, due in monthly installments of \$3,000 through May 2004	-	36,908
5.52% Variable rate mortgage payable to a bank, secured by real estate, due in monthly installments of \$1,334 through May 2018	104,514	118,410
9.00% Mortgage payable to a bank, secured by real estate, due in monthly installments of \$3,940 through May 2005	45,648	86,123
5.875% Mortgage payable to U.S.D.A. Rural Economic and Community Development, secured by real estate, due in monthly installments of \$1,776 through September 2006, paid in full during September 2003	-	288,932
4.875% Mortgage payable to U.S.D.A. Rural Economic and Community Development, secured by real estate, due in monthly installments of \$1,910 through October 2007	656,610	67,341
8.80% Promissory note payable to a bank, secured by transportation equipment, due in monthly installments of \$1,338 through September 2006, paid in full in May 2004 with Revenue Bonds	-	54,585
8.40% Mortgage payable to a bank, 90% guaranteed by the U.S.D.A. Rural Economic and Community Development Office, secured by real estate, due in monthly installments of \$6,086 through August 2009, paid in full in May 2004 with Revenue Bonds	-	640,966
8.00% Mortgage payable to a bank, secured by real estate, due in monthly installments of \$2,778 through June 2006, paid in full in May 2004 with Revenue Bonds	-	207,230

REGINA COELI CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
May 31, 2004

NOTE H

NOTES PAYABLE (Continued)

	<u>2004</u>	<u>2003</u>
8.125% Mortgage payable to a bank, secured by real estate, due in monthly installments of \$11,540 through February 2009, paid in full in May 2004 with Revenue Bonds	-	1,220,918
6.00% Signature loan payable to a bank, unsecured, interest only due quarterly, final payment due July 2003	-	39,708
6.00% Mortgage payable to an individual, secured by real estate, due in monthly installments of \$3,375 through October 2003	499,791	-
3.50% 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 2004	1,269,608	-
Total	<u>\$ 1,769,407</u>	<u>\$ 1,260,626</u>

Principal payments required in future years as of May 31, 2004 are as follows:

Year Ending May 31,	
2005	\$ 81,629
2006	163,259
2007	171,275
2008	178,768
2009	186,473
Thereafter	<u>4,003,646</u>
Total	<u>\$ 4,704,040</u>

NOTE I

CAPITAL LEASE PAYABLE

During the year ended May 31, 2003, the Center entered into an agreement to purchase three clock equipment and software under a capital lease obligation. The capitalized cost and accumulated depreciation of this equipment at May 31, 2004 was as follows:

Equipment	\$ 34,276
Less: Accumulated Depreciation	<u>(3,141)</u>
	<u>\$ 31,135</u>

REGINA COELI CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
May 31, 2004

NOTE I

CAPITAL LEASE PAYABLE (Continued)

The following is a schedule of future minimum lease payments as of May 31, 2004:

<u>Year Ending</u> <u>May 31,</u>	
2005	\$ 13,627
2006	<u>7,588</u>
Total Future Minimum Lease Payments	21,215
Amount Representing Interest	<u>(2,533)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 18,682</u>

Total interest expense on capital lease obligations for the years ended May 31, 2004 and 2003 was \$2,533 and \$1,716, respectively.

NOTE J

OPERATING LEASES

The Center has commitments on two lease agreements for space rental as of May 31, 2004, as follows:

<u>Locations in Louisiana</u>	<u>Lease</u> <u>Expiration</u>	<u>Monthly</u> <u>Payments</u>
Reginae Head Start	September 2006	\$ 2,000
Central Tangipahoa Head Start, Independence	August 2006	\$ 2,000

The related future minimum lease payments as of May 31, 2004, are as follows:

<u>Year Ending</u> <u>May 31,</u>	
2005	\$ 41,000
2006	41,000
2007	<u>11,000</u>
Total	<u>\$ 103,000</u>

The Center also rents a storage facility under a month-to-month agreement for \$114 per month. Total lease expense included in occupancy expense in the accompanying financial statements is \$73,489 and \$107,682 for the years ended May 31, 2004 and 2003, respectively.

REGINA CHILD CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
 May 31, 2004

NOTE K

NONFEDERAL SHARE

Federal financial assistance granted for the Center's Head Start and Early Head Start programs shall not exceed 80 percent of the total costs of the program. Federal financial assistance granted for the Center's Migrant Head Start program shall not exceed 80 percent of the total costs of the program. Maximum requirements for this nonfederal share are based upon total federal expenditures.

For the program year ended May 31, 2004, the Head Start and Early Head Start programs are combined into one federal grant. The federal expenditures and the nonfederal share for the total Head Start program, both cash and in-kind contributions, are as follows:

	<u>Federal Expenditures</u>	<u>Non-Federal Share</u>	
		<u>Required</u>	<u>Received</u>
Head Start	\$ 1,634,731	\$ 1,716,479	\$ 3,311,922

For the program year ended May 31, 2003, the federal expenditures and the nonfederal share for the Head Start Program, both cash and in-kind contributions, are as follows:

	<u>Federal Expenditures</u>	<u>Non-Federal Share</u>	
		<u>Required</u>	<u>Received</u>
Head Start	\$ 9,230,433	\$ 1,507,606	\$ 2,718,158
Early Head Start	1,281,961	332,118	295,184
	<u>\$ 10,512,394</u>	<u>\$ 1,839,724</u>	<u>\$ 3,013,342</u>

The program year for the Migrant Head Start program is February 1 through January 31. The federal expenditures and the nonfederal share for the periods February 1, 2003 through January 31, 2004 and February 1, 2004 through May 31, 2004, both cash and in-kind contributions, are as follows:

	<u>Federal Expenditures</u>	<u>Non-Federal Share</u>	
		<u>Required</u>	<u>Received</u>
02-01-03 through 01-31-04	\$ 765,080	\$ 80,261	\$ 11,000
02-01-04 through 05-31-04	\$ 1,243,924	\$ 11,839	\$ 15,318

Nonfederal in-kind contributions received during the year are recorded in the accompanying financial statements as revenues and expenses to the extent that they meet the criteria of SFAS No. 116 (see Note A). All in-kind contributions are included as revenues and expenses in the supplemental schedules attached to these statements. In-kind contributions are based on estimated values as determined by the funding source and fair market values of materials or services donated.

REGINA COELI CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
May 31, 2004

NOTE L

RESTRICTIONS ON ASSETS

All assets acquired with Department of Health and Human Services funds are owned by REGINA COELI CHILD DEVELOPMENT 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 therefrom, is subject to the funding source requirements of the Department of Health and Human Services. Also, a cash account with a balance of \$33,325 and \$42,273 at May 31, 2004 and 2003, respectively, is secured in connection with the Center's borrowings from the U.S. Department of Agriculture.

NOTE M

MIGRANT HEAD START

During the year ended May 31, 2003, the Center entered into a delegate agency agreement with Community Action Program for Central Arkansas (CAPCA) to operate a Migrant Head Start center in Amite, Louisiana. Upon the acquisition of the Migrant Head Start program, the Center received title to various assets having a total fair market value of \$97,998. These assets are included in the Center's property and equipment in the accompanying Statements of Financial Position and revenue of \$97,998 is included in other income in the accompanying Statement of Activities for the year ended May 31, 2003.

NOTE N

CONTINGENCIES

On January 29, 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 a term of fifteen years. At termination of agreement or upon default of the Center, the buildings at that location would have to be relocated.

During the year ended May 31, 2004, the Center's insurance company notified the Company that was still in the discovery phase as of May 31, 2003. The settlement amount did not exceed policy limits.

HEADING CORPIL CHILD DEVELOPMENT CENTER
NOTES TO FINANCIAL STATEMENTS
 May 31, 2004

NOTE D

INSURANCE

As of May 31, 2004, the Center has the following insurance coverage:

<u>Insurer</u>	<u>Policy Expiration Date</u>	<u>Amount of Coverage</u>	<u>Type of Coverage</u>
TRG Insurance	6/04	\$1,000,000 1,000,000 1,000,000	Business Auto Bodily Injury Uninsured Hood/Non Owned
TRG Insurance	6/04	\$ 1,000,000 1,000,000 1,000,000 100,000 5,000	General Liability Aggregate Professionalizing Each occurrence Fire damage Medical expense
TRG Insurance	6/04	8,798,721 1,607,000 349,680	Buildings Contents Improvements
American Reliable Ins. Co.	6/03	414,200 453,880 220,540	Hannamill HS Flood-Building Robert HS Flood-Building Robert HS Flood-Contents
Gulf Insurance Company	11/04	1,000,000	Directors and Officers Liability
Fidelity and Deposit Co. of Maryland	5/04	300,000	Employee Dishonesty
ITT Hartford Insurance Group	6/04	5,000 10,000 20,000 1,000 25,000	Student Accident Acc. Death Acc. Disembodiment Acc. Medical Acc. Dental Paralysis and Coma
Fidelity and Deposit Co. of Maryland	6/03	125,000	Emp. Retirement Bond

SUPPLEMENTAL INFORMATION

STATE FISCAL DEVELOPMENT CENTER

GENERAL FUNDING, FEDERAL COLLEGE FUNDING,
FEDERAL ASSISTANCE FROM STATE-OPERATED
UNIVERSITY LABORATORIES

For the State Year Ending

Department of Education, State of North Carolina
 Fiscal Year Ending

1958

EXPENSES	1957		1958		1959		1960		1961		1962		1963		1964		1965		
	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	
Salaries	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Travel	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Printing	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Supplies	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Utilities	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Telephone	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Postage	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Repairs	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Insurance	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Depreciation	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Interest	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Other	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000	1,265,000

STATE OF NORTH CAROLINA
 DEPARTMENT OF EDUCATION
 GENERAL FUNDING

FEDERAL COLLEGE FUNDING

FEDERAL ASSISTANCE FROM STATE-OPERATED
 UNIVERSITY LABORATORIES

For the State Year Ending

1958

Department of Education, State of North Carolina
 Fiscal Year Ending

1958

RESEARCH CORP. CHILD DEVELOPMENT CENTER

SCHEDULE OF EXPENDITURES BY FEDERAL AGENCY
For the Year Ended May 31, 2004

Federal Agency	CFDA Number	Grant Period	Child Count (Contract Award Number)	Total Contract Awards	Advanced Federal Reimburse- ments	Cash and Commodities Received	Revenues Recognized	Expenditures	(Approved) Federal Reimburse- ments
U.S. Department of Agriculture Child Care Food Program (Financed through the Louisiana Department of Education)	85.208	6/1/03 to 5/31/04	N/A	\$ 893,495	\$ 1,863,877	\$ 893,498	\$ 893,498	\$ 893,443	\$ (114,064)
U.S. Department of Health and Human Services Head Start - Major Program	85.400	6/1/03 to 5/31/04	862,046,070/4	85,944,714	(448,910)	85,760,428	85,860,714	85,944,714	863,297
State of Louisiana Early Head Start - Major Program	93.400	6/1/03 to 5/31/04	607,010,640/9	1,283,440	(448,910)	(448,910)	-	-	-
Major Grant Item - Major Program (Financed through the Community Action Program for Central Louisiana)	93.400 93.500	2/1/03 to 1/31/04 2/1/04 to 1/31/04	800,000/4 800,000/4	762,000 762,000	(57,100) -	255,418 212,111	491,789 243,034	491,789 243,034	- (26,862)
Children Development (Financed through the Louisiana Department of Social Services)	93.200	7/1/03 to 6/30/04	440,041	93,000	(1,400)	(1,400)	(8,000)	(8,000)	(1,400)
Total U.S. Department of Health and Human Services					(854,520)	11,117,529	11,696,527	11,696,527	(811,968)
Total Federal Grants					\$ 1,763,429	\$ 11,117,529	\$ 11,696,527	\$ 11,696,527	\$ (1,028,434)

The accompanying notes are an integral part of this schedule of expenditures of federal awards.

REGINA COELI CHILD DEVELOPMENT CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
May 31, 1984

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A

SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the Center's federal award programs presented on the normal basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE B

COMMUNITY FACILITIES LOANS

As of May 31, 1984, REGINA COELI CHILD DEVELOPMENT CENTER had a loan outstanding to the U.S. Department of Agriculture as follows:

Livingston Center	\$ 856,633
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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.

**REGINA COOKS CHILD DEVELOPMENT CENTER
SCHEDULE OF BOARD MEMBERS
May 31, 2004**

<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE</u>
Shannon Anderson	P.O. Box 919 Amite, LA 70403	(985) 748-0344
Marian Amerswold	1008 Montgomery Street Mandeville, LA 70448	(985) 870-0276
Eric R. Beaul	227 N. Columbia Street Covington, LA 70423	(985) 893-0489
Bobbie D. Cygria, Sr.	10342 School Road Independence, LA 70443	(985) 878-6138
Jean Dineen	81000 Dineen Road Covington, LA 70420	(985) 892-2611
Victor Doucette	32148 Bayou Paquet Road Slidell, LA 70458	(985) 643-8971
Cynthia Elliott	2239 Olinster Baton Rouge, LA 70806	(985) 349-3289
Shirley D. Freeman	P.O. Box 974 Greenberg, LA 70440	(225) 223-4033
Ann Kropog	38150 George White Road Hudon, LA 70344	(225) 686-2406
Kathi Legg	218 W. Robert Apt. #12 Hammond, LA 70401	(987) 343-4182
Wilma Marie	2624 S. Columbia Road Bogalusa, LA 70427	(985) 752-8903
Ralph O. Miller	38112 Huckleberry Lane Folsom, LA 70437	(985) 796-3308
Kristal G. Harris	49655 Saxon Road #11 Ponchatoula, LA 70454	(985) 318-8662
Robert J. Posa	1917 Marie Drive Mandeville, LA 70408	(985) 867-9058
Carol Torrey	338 Hyacinth Lane Mandeville, LA 70471	(985) 626-0168

See independent auditor's report.



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

Board of Directors
Regina Coeli Child Development Center
Kenner, Louisiana

We have audited the financial statements of REGINA COELI CHILD DEVELOPMENT CENTER (a non-profit Center) as of and for the years ended May 31, 2004 and 2003, and have issued our report thereon dated July 30, 2004. 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.

Compliance

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 grants, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered REGINA COELI CHILD DEVELOPMENT CENTER's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in accounts that would be material in relation to the financial statements being audified may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the finance committee, management, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

A Professional Accounting Corporation

July 30, 2004

1115 WYTHEAVENUE, MONROE, LOUISIANA 70130, SUITE 200, MONROE, LA 70130-9970 • TEL: 850.353.1 • FAX: 850.353.1101
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MEMBER LAFCPA #111101

RSM McGladrey
MEMBERSHIP NETWORK



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Directors
Regina Coeli Child Development Center
Bossier, Louisiana**

Compliance

We have audited the compliance of REGINA COELI CHILD DEVELOPMENT CENTER (a non-profit Center) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB)-Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the years ended May 31, 2004 and 2003. REGINA COELI CHILD DEVELOPMENT CENTER's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of REGINA COELI CHILD DEVELOPMENT CENTER's management. Our responsibility is to express an opinion on REGINA COELI CHILD DEVELOPMENT CENTER's compliance based on our audits.

We conducted our audits 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 OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Centers*. These standards and OMB Circular A-133 require that we plan and perform the audits 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 these requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of REGINA COELI CHILD DEVELOPMENT CENTER's compliance with these requirements.

In our opinion, REGINA COELI CHILD DEVELOPMENT CENTER complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended May 31, 2004 and 2003.

Internal Control Over Compliance

The management of REGINA CORLI CHILD DEVELOPMENT CENTER is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered REGINA CORLI CHILD DEVELOPMENT CENTER's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OIGID Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



A Professional Accounting Corporation

July 29, 2004

**REBEKA COBLE CHILD DEVELOPMENT CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 May 31, 2004**

Section 1

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditor's report | Unqualified |
| 2. Internal control over financial reporting | |
| a. Material weaknesses identified | None |
| b. Reportable conditions identified not considered to be material weaknesses | None |
| c. Non-compliance material to the financial statements noted | None |

Federal Awards

- | | |
|---|-------------------------|
| 1. Internal control over major programs | |
| a. Material weaknesses identified | None |
| b. Reportable conditions identified not considered to be material weaknesses | None |
| 2. Type of auditor's report issued on compliance for major program | Unqualified |
| 3. Audit findings disclosed that are required in accordance with OMB A-110, Section 5.10c | None |
| 4. Identification of major program | |
| \$1,600 | Head Start |
| \$1,600 | Migrant Head Start |
| 10,534 | Child Care Food Program |
| 5. Dollar threshold used to distinguish between Type A and B programs | \$25,000 |
| 6. Auditors qualified as a low - risk auditor under OMB A-110 Section 5.10 | Yes |

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Awards Findings and Questioned Costs

None

**REGINA COBLE CHILD DEVELOPMENT CENTER
 SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 May 31, 2004**

Section 1

Financial Statements

1. Type of auditor's report	Unqualified
2. Internal control over financial reporting	
a. Material weaknesses identified	None
b. Reportable conditions identified not considered to be material weaknesses	None
c. Noncompliance material to the financial statements noted	None

Federal Awards

1. Internal control over major programs				
a. Material weaknesses identified				None
b. Reportable conditions identified not considered to be material weaknesses				None
2. Type of auditor's report issued on compliance for major program				Unqualified
3. Audit findings disclosed that are required in accordance with OMB A-133, Section 506				None
4. Identification of major programs				
93.680		Head Start/Early Head Start		
93.680		Migrant Head Start		
5. Dollar threshold used to distinguish between Type A and B programs				\$100,000
6. Auditors qualified as a low-risk auditor under OMB A-133 Section 510				Yes

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Awards Findings and Questioned Costs

None