REGINA COELI CHILD DEVELOPMENT CENTER

FINANCIAL STATEMENTS
MAY 31, 2020

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

REGINA COELI CHILD DEVELOPMENT CENTER

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MAY 31, 2020

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A Professional Accounting Corporation

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, 2020 and 2019, 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.

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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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our 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 pages 19 and 20, 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 February 1, 2021, 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.

Postlethwaite & Netterville

Metairie, Louisiana
February 1, 2021

REGINA COELI CHILD DEVELOPMENT CENTER
ROBERT, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
MAY 31, 2020 AND 2019

A S S E T S

	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	$ 573,015	$ 231,933
Grants receivable	562,826	420,399
Prepaid expenses and other assets	2,107	2,107
Total current assets	1,137,948	654,439
OTHER ASSETS:		
Restricted cash for loan repayment	80,016	80,368
Total other assets	80,016	80,368
PROPERTY AND EQUIPMENT:		
Land	999,658	999,658
Buildings	10,722,416	10,695,705
Leasehold improvements	2,049,061	1,692,966
Vehicles	1,451,289	1,347,861
Equipment	867,987	754,714
	16,090,411	15,490,904
Less: accumulated depreciation	(7,005,419)	(7,082,478)
Total property and equipment, net	9,084,992	8,408,426
Total assets	$ 10,302,956	$ 9,143,233

L I A B I L I T I E S A N D N E T A S S E T S

	2020	2019
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,539,928	$ 865,849
Notes payable, current portion	589,862	890,421
Total current liabilities	2,129,790	1,756,270
LONG-TERM LIABILITIES:		
Notes payable, net of current portion	339,291	418,610
Total long-term liabilities	339,291	418,610
Total liabilities	2,469,081	2,174,880
NET ASSETS:		
Without donor restrictions	7,833,875	6,968,353
Total liabilities and net assets	$ 10,302,956	$ 9,143,233

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, 2020 AND 2019

	2020	2019
REVENUES WITHOUT DONOR RESTRICTIONS:		
Grant revenue	$ 18,334,143	$ 17,500,697
Contributed goods and services	251,702	790,209
Contributions	97,572	116,974
Other income	35,338	50,701
Total revenues without donor restrictions	18,718,755	18,458,581
EXPENSES:		
Program	15,546,896	16,629,101
Management and general	2,301,647	1,728,281
Fundraising	4,690	5,402
Total expenses	17,853,233	18,362,784
CHANGE IN NET ASSETS	865,522	95,797
NET ASSETS AT BEGINNING OF YEAR	6,968,353	6,872,556
NET ASSETS AT END OF YEAR	$ 7,833,875	$ 6,968,353

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, 2020

	Program	Management and General	Fundraising	Total
Personnel	$ 9,883,680	$ 1,107,262	$ -	$ 10,990,942
Fringe benefits	1,610,948	544,934	-	2,155,882
Occupancy	1,167,176	120,284	-	1,287,460
Contributed goods and services	251,702	-	-	251,702
Food costs	624,030	170	-	624,200
Other supplies	218,702	192,728	-	411,430
Depreciation	566,397	62,933	-	629,330
Travel	218,612	24,557	-	243,169
Consultants	15,729	125,671	-	141,400
Educational supplies	267,575	1,384	-	268,959
Other	318,699	54,992	4,690	378,381
Training	225,402	7,678	-	233,080
Insurance	47,116	25,126	-	72,242
Interest	46,193	33,928	-	80,121
Loss on disposal of assets	84,935	-	-	84,935
Total	$ 15,546,896	$ 2,301,647	$ 4,690	$ 17,853,233

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	5,402	392,811
Training	235,956	10,137	-	246,093
Insurance	58,147	25,129	-	83,276
Interest	70,213	22,538	-	92,751
Total	$ 16,629,101	$ 1,728,281	$ 5,402	$ 18,362,784

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 865,522	$ 95,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	84,935	-
Depreciation and amortization	645,880	524,934
Changes in operating assets and liabilities:		
Decrease (increase) in grants receivable	(142,427)	310,149
Increase (decrease) in accounts payable and accrued expenses	510,288	(396,704)
Net cash provided by operating activities	1,964,198	534,176
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,227,040)	(149,430)
Net cash used in investing activities	(1,227,040)	(149,430)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(396,428)	(394,085)
Net cash used in financing activities	(396,428)	(394,085)
Net change in cash and cash equivalents	340,730	(9,339)
Cash, cash equivalents, and restricted cash, beginning of year	312,301	321,640
Cash, cash equivalents, and restricted cash, end of year	$ 653,031	$ 312,301
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest expense	$ 63,571	$ 92,751
Change in accounts payable for property and equipment	$ 163,791	$ 81,206
Reconciliation of cash, cash equivalents, and restricted cash reported:		
Cash and cash equivalents	$ 573,015	$ 231,933
Restricted cash	80,016	80,368
Total cash, cash equivalents, and restricted cash reported	$ 653,031	$ 312,301

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 1,674 and 2,088 children during the years ended May 31, 2020 and 2019, 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, 2020 and 2019, 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 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.

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 2020 or 2019.

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.

Grants, Contributions, and Revenue Recognition

The Organization recognizes contributions when cash, other assets, or an unconditional promise to give are received. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization also receives support in the form of grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenses and/or met the performance requirements in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses or meeting the performance requirements are reported as refundable advances in the Statements of Financial Position. No amounts were reported as refundable advances at May 31, 2020 or 2019.

1. Summary of Significant Accounting Policies (continued)

Grants, Contributions, and Revenue Recognition (continued)

For the period June 1, 2019 through May 31, 2020 the Organization was awarded grants of approximately $17,000,000 which were conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. As of May 31, 2020 approximately $2,190,000 has not been recognized as revenue as the Organization has not incurred the qualifying expenditures to seek reimbursement.

Functional Expenses

The functional expenses have been summarized between program costs, management and general, 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 Management and General when both functions are benefitted by the same cost. These allocations are determined by management on an equitable basis. 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 $1,517,269 and $2,897,841 during the years ended May 31, 2020 and 2019, 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:

	2020	2019
Occupancy and other operating expenses	$ 99,176	$ 340,529
Supplies	87,374	284,690
Rental of facilities	6,750	119,575
Transportation	204	22,351
Other services	58,198	23,064
Total	$ 251,702	$ 790,209

1. Summary of Significant Accounting Policies (continued)

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.

Change in Accounting Principle

In June 2018, FASB issued Accounting Standards Update (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. The Center adopted this ASU during the fiscal year ended May 31, 2020. The adoption of this ASU had no impact to the financial statements.

Accounting Pronouncements Issued But Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, "Leases." This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. FASB issued an optional delay in this standard upon issuance of ASU 2020-05. The entity has elected to delay implementation of this standard. Thus, the entity will adopt this standard in the fiscal year ended May 31, 2023.

In September 2020, the FASB issued ASU 2020-07, "Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets." The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in- kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in- kind. The FASB ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021.

The Center's management is currently assessing the impact of these pronouncements on the financial statements.

2. Liquidity and Availability

The Center receives approximately 98% 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:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	$ 573,015	$ 231,933
Restricted cash	80,016	80,368
Grants receivable	562,826	420,399
Total financial assets	1,215,857	732,700
Less amounts not available to be used within one year:		
Restricted cash	80,016	80,368
Financial assets available to meet general expenditures over the next twelve months	$ 1,135,841	$ 652,332

3. Grants Receivable

Grants receivable at May 31 consisted of the following:

	2020	2019
Federal Grants		
Head Start Program	$ 487,054	$ 238,882
Child Care Food Program	75,772	181,517
Total	$ 562,826	$ 420,399

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, 2020 and 2019, $751,957 and $0, 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.

5. Notes Payable

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

	2020	2019
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.	$ 277,998	$ 330,549
6.00% Mortgage payable to an individual, secured by real estate, due in monthly installments of $3,575 through October 2023.	134,101	167,961
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, 2020 and 2019.	21,964	302,418
4.89% Mortgage payable to a bank, secured by real estate. The terms of this agreement were updated during fiscal year 2018. Payment is due in monthly installments of $4,538 through May 2022, with a lump sum final payment due June 1, 2022.	495,090	524,653
Total	929,153	1,325,581
Less: current portion	(589,862)	(890,421)
Total long-term portion	339,291	435,160
Less: loan issuance costs, long-term portion	-	(16,550)
Total long-term notes payable, net	$ 339,291	$ 418,610

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, 2020, are as follows:

Year	Amount
2021	$ 589,862
2022	73,675
2023	77,799
2024	58,604
2025	41,089
Thereafter	88,124
Total	$ 929,153

The Center's credit agreements require certain covenants to be met at the end of each fiscal year. As of May 31, 2020 and 2019, 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 $495,090 and $524,653 has been presented as a current liability in the financial statements for the fiscal years ended May 31, 2020 and 2019, respectively.

In 2005, the Center incurred loan issuance costs of $66,200. The Center amortizes these loan costs annually. The amortization expense was $16,550 and $3,310 for each of the years ended May 31, 2020 and 2019, respectively, and is reported in the Statements of Activities as interest expense.

6. **Operating Leases**

The Center has commitments related to lease agreements for space rental for three facilities. Two leases expire in June 2022, while a third lease expires in September 2024. Total lease expense included in occupancy expense in the accompanying financial statements for obligations under these leases was $99,656 and $40,388 for the years ended May 31, 2020 and 2019, respectively. Annual lease commitments required in future years as of May 31, 2020, are as follows:

Year	Amount
2021	$ 90,000
2022	35,000
2023	30,000
2024	30,000
2025	10,000
Total	$ 195,000

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 December 6, 2018, the Center executed a new cooperative endeavor agreement with the Board of Supervisors for the University of Louisiana System and Southeastern Louisiana University. 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 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, 2020 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, 2020 and 2019.

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. Additional temporary funding related to COVID-19 of approximately $1,375,000 was awarded in fiscal year 2021.

11. Coronavirus Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Center's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on its employees, students, granting agencies, and vendors, all of which are uncertain and cannot be predicted or reasonably estimated at this time. During the pandemic, the Center was instructed by the office of Head Start to continue to serve children virtually. The Center did not permanently close any centers or lay off any personnel during this time. The Center continued to receive funds from the Office of Head Start to maintain operations.

12. Subsequent Events

As described in Note 11, the COVID-19 pandemic has impacted the Center's fiscal year 2020 and may continue to affect financial performance in the future.

The Center's variable rate revenue bonds were paid in full in July 2020.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 1, 2021, and determined that no events, other than the items disclosed above, 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, 2020

Agency Head: Susan Spring, Executive Director

Purpose:	Amount
Salary	$ 90,187
Benefits – life insurance	55
Benefits - retirement	7,160
Car related expenses	937
Reimbursements	213
Per diem	517
Conference travel	894
Travel – hotels/housing	1,164
Total	$ 101,127

See independent auditors' report.

REGINA COELI CHILD DEVELOPMENT CENTER
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
AS OF MAY 31, 2020

Insurer	Policy Exp. Date	Type of Coverage			Amount of Coverage
GuideOne Insurance	06/01/2019-	Business Auto			
1828-939	05/31/2020		Combined Single Limit		1,000,000.00
			Medical Expense		5,000.00
			Uninsured Motorist		1,000,000.00
GuideOne Insurance		General Liability			
1451-548	06/01/2019-		Aggregate		3,000,000.00
	05/31/2020		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
			Employee Benefits Liability		
				Each/Aggregate	1,000,000.00
		Inland Marine			21,188.00
		Professional Liability			1,000,000.00
Lloyds of London	06/01/2019-	Commercial Property			
640965	05/31/2020		Buildings		16,392,700.00
			Personal Property		3,319,600.00
			Fencing		81,000.00
			Playground Equipment		228,000.00
			Business Income Interruption		4,100,000.00
GuideOne Insurance	06/01/2019-	Umbrella			5,000,000.00
1451-549	05/31/2020				
National Union Fire Ins	06/01/2019-	Student Accident			
11SPR8178605	05/31/2020		Benefit Maximum		250,000.00
				Accidental Death	10,000.00
				Accidental Dismemberment	10,000.00
				Accidental Medical/Dental	50,000.00
Travelers Insurance Company	06/01/2019-	WRAP Policy			
	05/31/2020		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	06/01/2019-	Workers Compensation			
22373B	05/31/2020		E.L. Each Accident		1,000,000.00
			E.L. Disease - Ea Employee		1,000,000.00
			E.L. Disease - Policy Limit		1,000,000.00
Wright		Flood Insurance - Building			
	4/2020		Robert Head Start		500,000.00
	4/2020		Robert Warehouse		188,000.00
	8/2019		Robert Mechanic Shop		60,000.00
	8/2019		Livingston Head Start		500,000.00
	1/2020		Lacombe Head Start		500,000.00
	1/2020		Slidell Head Start		500,000.00
	8/2019		Pearl River Head Start		500,000.00
	6/2019		Covington Head Start		500,000.00
	6/2019		Covington Early Head Start		500,000.00

(continued)

REGINA COELI CHILD DEVELOPMENT CENTER
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
AS OF MAY 31, 2020

(continued)

Insurer	Policy Exp. Date	Type of Coverage	Amount of Coverage
	Flood Insurance - Contents		
	4/2020	Robert Head Start	463,100.00
	4/2020	Robert Warehouse	50,000.00
	8/2019	Robert Mechanic Shop	55,100.00
	8/2019	Livingston Head Start	183,800.00
	1/2020	Lacombe Head Start	165,400.00
	1/2020	Slidell Head Start	157,500.00
	8/2019	Pearl River Head Start	400,000.00
	6/2019	Covington Head Start	350,000.00
	6/2019	Covington Early Head Start	250,000.00

REGINA COELI CHILD DEVELOPMENT CENTER

SINGLE AUDIT REPORT
MAY 31, 2020

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

REGINA COELI CHILD DEVELOPMENT CENTER

SINGLE AUDIT REPORT
MAY 31, 2020

C O N T E N T S

P&N
Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
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A Professional Accounting Corporation

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, 2020, 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 February 1, 2021.

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) as a basis for designing 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Center's Response to Finding

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

Purpose of this Report

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

Postlethwaite & Netterville

Metairie, Louisiana
February 1, 2021

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
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Postlethwaite & Netterville

A Professional Accounting Corporation

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 Center's major federal program for the year ended May 31, 2020. The 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 the 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, the 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, 2020.

Postlethwaite & Netterville

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 the 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 the Regina Coeli Child Development Center as of and for the year ended May 31, 2020, and have issued our report thereon dated February 1, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
February 1, 2021

REGINA COELI CHILD DEVELOPMENT CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2020

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	10.558	N/A	$ 1,055,488
(Passed through the Louisiana Department of Education)			
U.S. Department of Health and Human Services			
Direct:			
Head Start/Early Head Start-Major Program	93.600	06CH7126 / 06CH010949	15,847,495
Early Head Start Expansion-Major Program	93.600	06HP000077-02	1,431,160
Total U.S. Departments of Health and Human Services			17,278,655
Total Federal Grants			$ 18,334,143

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, 2020

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, 2020. 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, 2020, Regina Coeli Child Development Center had a loan outstanding to the U.S. Department of Agriculture as follows:

Livingston Center	$ 277,998

   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, 2020, 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, 2020

(A) Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

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

#2020-001 Internal Control over Financial Reporting

Criteria: Internal control processes for organizations should include processes that allow management to detect and correct adjustments to financial statements in order for the financial statements to be presented in accordance with U.S. GAAP.

Condition: The Center's control processes did not detect misstatements to property and equipment balances.

Cause: The Center's internal control procedures were not adequate.

Effect: Material adjustments were proposed during the audit process in order to correct balances in property and equipment accounts at May 31, 2020.

Recommendation: The Center should review internal control processes to ensure capital assets are properly reconciled and accounted for in accordance with U.S. GAAP and errors are identified and corrected during the month and year end financial reporting process.

View of Responsible Official and Planned Corrective Action
Necessary steps were taken to correct these items. In order to resolve this matter for future items, the organization will purchase the fixed asset module to be integrated with the current accounting software being used by the organization.

(C) Findings and Questioned Costs Relating to Federal Awards

None reported.