
REGINA COELI CHILD DEVELOPMENT CENTER

FINANCIAL STATEMENTS
MAY 31, 2013 AND 2012

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 Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 01 2014



A Professional Accounting Corporation

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REGINA COELI CHILD DEVELOPMENT CENTER

FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Regina Coeli Child Development Center (the Center), which comprise the statement of financial position as of May 31, 2013, and the related statements of activities, and cash flows for the year then ended.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 2013 financial statements referred to above present fairly, in all material respects, the financial position of the Center as of May 31, 2013, and results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Regina Coeli Child Development Center as of May 31, 2012, were audited by other auditors whose report dated November 29, 2012, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
December 11, 2013

REGINA COELI CHILD DEVELOPMENT CENTER
ROBERT, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
MAY 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 291,760	\$ 334,514
Grants receivable	694,106	664,144
Deferred expenses	2,130	23,731
Other receivables	13,483	15,484
Inventory	<u>1,353</u>	<u>1,750</u>
Total current assets	<u>1,002,832</u>	<u>1,039,623</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Land	1,265,997	1,265,997
Buildings	10,960,515	10,960,515
Leasehold improvements	1,284,308	1,244,270
Vehicles	762,707	1,012,026
Equipment	<u>596,029</u>	<u>612,784</u>
	14,869,556	15,095,592
Less: accumulated depreciation and amortization	<u>(4,881,148)</u>	<u>(4,755,533)</u>
Total property and equipment, net	<u>9,988,408</u>	<u>10,340,059</u>
<u>OTHER ASSETS:</u>		
Restricted cash for loan repayment	75,957	71,111
Loan fees, net	<u>36,410</u>	<u>39,720</u>
Total other assets	<u>112,367</u>	<u>110,831</u>
Total assets	<u>\$ 11,103,607</u>	<u>\$ 11,490,513</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts payable and accrued expenses	\$ 968,188	\$ 983,726
Capital lease payable, current portion	-	8,455
Notes payable, current portion	<u>309,660</u>	<u>299,417</u>
Total current liabilities	1,277,848	1,291,598
<u>LONG-TERM LIABILITIES:</u>		
Capital lease payable, net of current portion	-	2,114
Notes payable, net of current portion	<u>3,098,964</u>	<u>3,408,624</u>
Total long-term liabilities	<u>3,098,964</u>	<u>3,410,738</u>
Total liabilities	<u>4,376,812</u>	<u>4,702,336</u>
<u>NET ASSETS:</u>		
Unrestricted	<u>6,726,795</u>	<u>6,788,177</u>
Total liabilities and net assets	<u>\$ 11,103,607</u>	<u>\$ 11,490,513</u>

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

REGINA COELI CHILD DEVELOPMENT CENTER
ROBERT, LOUISIANA

STATEMENTS OF ACTIVITIES
YEARS ENDED MAY 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Grants	\$ 14,614,405	\$ 14,724,771
Goods and services contributed	998,375	1,053,597
Cash contributions	111,572	180,920
Other income	14,650	11,022
Gain on sale of assets	7,962	-
	<hr/>	<hr/>
Total revenues	15,746,964	15,970,310
	<hr/>	<hr/>
Expenses		
Personnel	9,116,921	8,889,190
Fringe benefits	2,234,732	1,972,408
Goods and services contributed	998,375	1,053,597
Food costs	739,677	718,108
Occupancy	623,034	894,037
Depreciation	421,938	419,866
Travel	309,100	398,503
Other supplies	302,265	430,616
Educational supplies	219,093	411,824
Insurance	212,957	207,207
Other	209,588	195,432
Interest expense	154,651	153,367
Consultants	142,568	113,634
Training	103,689	187,317
Fundraising costs	16,448	16,410
Amortization	3,310	3,310
	<hr/>	<hr/>
Total expenses	15,808,346	16,064,826
	<hr/>	<hr/>
Change in net assets	(61,382)	(94,516)
Net assets at beginning of year	6,788,177	6,882,693
	<hr/>	<hr/>
Net assets at end of year	<u>\$ 6,726,795</u>	<u>\$ 6,788,177</u>

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

REGINA COELI CHILD DEVELOPMENT CENTER
ROBERT, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2013 AND 2012

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (61,382)	\$ (94,516)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of assets	(7,962)	-
Depreciation	421,938	419,866
Amortization	3,310	3,310
(Increase) decrease in grants receivable	(29,962)	331,298
(Increase) decrease in other receivables	2,001	(20,094)
(Increase) decrease in deferred expenses	21,601	(4,361)
Decrease in inventory	397	1,509
Increase (decrease) in accounts payable and accrued expenses	(15,538)	(286,132)
Net cash provided by operating activities	334,403	350,880
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(70,875)	(242,763)
Proceeds from the sale of fixed assets	8,550	-
Net cash used in investing activities	(62,325)	(242,763)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Decrease) increase in construction payable	-	(13,643)
Principal payments on notes payable	(299,417)	(291,807)
Proceeds from construction loan	-	283,895
Increase in restricted cash	(4,846)	(4,854)
Payments on capital lease payable	(10,569)	(8,455)
Net cash used in financing activities	(314,832)	(34,864)
Net increase (decrease) in cash and cash equivalents	(42,754)	73,253
Cash and cash equivalents, beginning of year	334,514	261,261
Cash and cash equivalents, end of year	\$ 291,760	\$ 334,514
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest expense	\$ 154,651	\$ 153,367

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

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

1. 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 are as follows:

Organization

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 fifteen centers, including Head Start and Early Head Start programs, in the five parishes of Livingston, St. Helena, St. Tammany, Tangipahoa, and Washington. The Center provided service to 1,776 and 1,777 children and families during the years ended May 31, 2013 and 2012, respectively. The goal of the Center is to improve the educational and economic opportunities of those it serves.

Presentation

The Center has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-205, Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC No. 958-205, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Center is required to present a statement of cash flows.

The Center has also adopted FASB ASC No. 958-605, *Revenue Recognition - Contributions Received*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. 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. For the years ended May 31, 2013 and 2012, the Center had no temporarily restricted or permanently restricted revenues or net assets.

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

Services valued at \$2,317,325 and \$1,992,899 during the years ended May 31, 2013 and 2012, respectively, did not meet the criteria of FASB ASC No. 958-605 and were not recognized. The following is a recap of in-kind contributions recognized in the years ended May 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Occupancy and other operating expenses	\$ 435,864	\$ 527,019
Supplies	194,056	196,738
Rental of facilities	260,270	161,749
Transportation	70,455	117,389
Other services	37,730	50,702
Total	<u>\$ 998,375</u>	<u>\$ 1,053,597</u>

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Grant Control/Support

The Head Start and Early Head Start funds from the Department of Health and Human Services are recognized as revenue based on the program's approved grant award. The Child Care Food 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.

Accounts Receivable

Accounts 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.

Estimates

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

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.

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

1. Summary of Significant Accounting Policies (continued)

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.

Approximately 85% of the Center's funds during the years ended May 31, 2013 and 2012, respectively, 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.

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2013 and 2012. The Center's tax returns for the years 2010 through 2012 remain open and subject to examination by taxing authorities.

Restricted Cash

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

Reclassifications

Certain accounts in the 2012 financial statements have been reclassified to conform to the current year presentation.

2. Grants Receivable

	<u>2013</u>	<u>2012</u>
Federal Grants		
Head Start Program	\$ 569,956	\$ 566,820
Child Care Food Program	124,150	97,324
Total	<u>\$ 694,106</u>	<u>\$ 664,144</u>

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013 AND 2012

3. Property and Equipment

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

Buildings, vehicles, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of all exhaustible fixed assets is charged as an expense. Depreciation has been calculated using the straight-line method. For the years ended May 31, 2013 and 2012, depreciation expense totaled \$421,938 and \$419,866, respectively. See note 9 to the financial statements regarding the restrictions on assets acquired.

The estimated useful lives are as follows:

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

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 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 31st. The plan has a five-year vesting schedule for employer contributions as follows:

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

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

During the years ended May 31, 2013 and 2012, \$331,358 and \$181,344, respectively, was contributed to the plan for the benefit of the plan participants employed by the Center, which is included in fringe benefits in the statements of activities.

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

5. Loan Issuance Costs

In 2005, the Center incurred loan issuance costs of \$66,200. The Center amortizes these loan costs annually. The amortization expense was \$3,310 for each of the years ended May 31, 2013 and 2012.

6. Notes Payable

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

	<u>2013</u>	<u>2012</u>
6.80% Mortgage payable to a bank, secured by real estate, due in monthly installments of \$1,284 through May 2018.	\$ -	\$ 4,129
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 October 2027.	485,503	508,421
6.00% Mortgage payable to an individual, secured by real estate, due in monthly installments of \$3,575 through October 2023.	331,735	354,006
Variable rate revenue bonds payable to a bank, secured by letter of credit from another bank, due in monthly payments of interest only, and one principal payment annually through July 2024. Fees for this loan include a trustee fee of \$1,500 annually, a remarketing fee of \$875 quarterly and a quarterly letter of credit fee calculated at 1.25% per annum of the outstanding principal balance. Variable interest rate at 5/31/2013 is 2.19%.	1,929,917	2,157,417
4.43% Mortgage payable to a bank, secured by real estate, due in monthly installments of \$4,371 through October 2016, with a balloon payment of \$576,262 due in November 2016.	<u>661,469</u>	<u>684,068</u>
Total	3,408,624	3,708,041
Less: Current Portion	<u>(309,660)</u>	<u>(299,417)</u>
Total Long-Term Portion	<u>\$ 3,098,964</u>	<u>\$ 3,408,624</u>

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013 AND 2012

6. Notes Payable (continued)

The Center makes monthly payments 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 monthly payments to the escrow agent as principal payments on these bonds.

Principal payments required in future years as of May 31, 2013, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 309,660
2015	323,386
2016	341,474
2017	916,825
2018	346,770
Thereafter	<u>1,170,509</u>
Total	<u>\$ 3,408,624</u>

The Center's credit agreement with the U.S.D.A. contains a certain covenant that requires a minimum amount of restricted cash as the end of each fiscal year. As of May 31, 2013 and 2012, the Center has met the requirements for this covenant.

7. Operating Leases

The Center has commitments on one lease agreement for space rental as of May 31, 2013, as follows:

<u>Location in Louisiana</u>	<u>Lease Expiration</u>	<u>Monthly Payment</u>
Central Tangipahoa Head Start	September 2024	\$ 2,000

Total lease expense included in occupancy expense in the accompanying financial statements for obligations under this lease was \$24,000 for each of the years ended May 31, 2013 and 2012.

Annual lease commitments required in future years as of May 31, 2013, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 24,000
2015	24,800
2016	25,200
2017	25,200
2018	25,200
Thereafter	<u>165,600</u>
Total	<u>\$ 290,000</u>

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

8. Capital Leases

The Center had a commitment on a lease agreement for a copy machine as of May 31, 2012. This capital lease was paid in full during the year ended May 31, 2013.

9. 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, is subject to the funding source requirements of the Department of Health and Human Services.

10. Contingencies

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

11. Board of Directors Compensation

The members of the Center's board of directors were not compensated during the years ended May 31, 2013 and May 31, 2012.

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

12. Insurance

As of May 31, 2013, the Center has the following insurance coverage:

<u>Insurer</u>	<u>Policy Expiration Date</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Arch Insurance Company	06/2013	Business Auto	
		Bodily Injury	\$ 1,000,000
		Uninsured	1,000,000
		Medical Expense	5,000
		General Liability	
		Aggregate	\$ 3,000,000
		Products/Completed Operations	3,000,000
		Personal/Advertising	1,000,000
		Bodily Injury & Property Damage	1,000,000
		Fire Damage	100,000
		Medical Expense	5,000
		Commercial Property	
		Buildings	\$ 16,408,700
		Personal Property	3,334,600
		Fencing	81,000
		Playground Equipment	230,000
		Extra Expense	4,100,000
		Umbrella	\$ 3,000,000
American Bankers	04/2013	Flood Insurance - Building	
		Robert Head Start	\$ 500,000
		Robert Warehouse	100,000
	08/2013	Slidell/Pearl River Head Start	500,000
	11/2013	Slidell Early Head Start	500,000
		Lacombe Head Start	500,000
		Flood Insurance - Contents	
	04/2013	Robert Head Start	\$ 281,500
		Robert Warehouse	50,000
		Slidell/Pearl River Head Start	400,000
	08/2013	Slidell Early Head Start	150,000
	11/2013	Lacombe Head Start	157,500
Travelers Insurance Company	06/2013	Directors' and Officers' Liability	\$ 2,000,000
Fidelity and Deposit Co. of Maryland	06/2013	Employee Dishonesty	\$ 300,000
	06/2013	Employee Retirement	300,000
National Union Fire Insurance Co.	06/2013	Student Accident	
		Accidental Death	\$ 10,000
		Accidental Dismemberment	10,000
		Accidental Medical	50,000
		Aggregate	50,000
		Accidental Dental	\$250/tooth

REGINA COELI CHILD DEVELOPMENT CENTER

NOTES TO FINANCIAL STATEMENTS
MAY 31, 2013 AND 2012

13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 11, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REGINA COELI CHILD DEVELOPMENT CENTER

SINGLE AUDIT REPORT

MAY 31, 2013



A Professional Accounting Corporation

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REGINA COELI CHILD DEVELOPMENT CENTER

SINGLE AUDIT REPORT

MAY 31, 2013

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Regina Coeli Child Development Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Regina Coeli Child Development Center (the Center) as of and for the year ended May 31, 2013, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

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

Postlethwaite + Netteville

Metairie, Louisiana
December 11, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement that could have a direct and material effect on each of Regina Coeli Child Development Center's major federal programs for the year ended May 31, 2013. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regina Coeli Child Development Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Regina Coeli Child Development Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2013.

Report on Internal Control Over Compliance

Management of Regina Coeli Child Development Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regina Coeli Child Development Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Regina Coeli Child Development Center as of and for the year ended May 31, 2013, and have issued our report thereon dated December 11, 2013, 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 OMB Circular A-133 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 + Nettenville

Metairie, Louisiana
December 11, 2013

REGINA COELI CHILD DEVELOPMENT CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2013

Federal Grantor/Pass-Through Grantor/ Program Title/Program Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-through programs from:			
Louisiana Department of Education			
Child Care Food Program	10.558	1309K92-A0	<u>\$ 1,201,769</u>
U.S. Departments of Health and Human Services			
Head Start	93.600		<u>13,412,636</u>
 Total Federal Grants			 <u><u>\$ 14,614,405</u></u>

See accompanying notes to schedule of expenditures of federal awards.

REGINA COELI CHILD DEVELOPMENT CENTER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2013

1. Significant Accounting Policies

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

2. Community Facilities Loans

As of May 31, 2013, Regina Coeli Child Development Center had a loan outstanding to the U.S. Department of Agriculture as follows:

Livingston Center	<u>\$ 485,503</u>
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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 and the requirement of certain restricted cash as described in Note 6 to the financial statements.

3. Relationship to Financial Statements

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

REGINA COELI CHILD DEVELOPMENT CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2013

(A) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: no
- 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 section 510(a) of OMB Circular A-133? no

Identification of major programs:

U.S. Department of Health and Human Services
 Head Start/Early Head Start 93.600

Dollar threshold used to distinguish between Type A and Type B programs: \$438,432

Auditee qualified as a low-risk auditee? yes

REGINA COELI CHILD DEVELOPMENT CENTER
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2013

None noted