

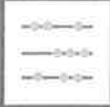
**CENTRO MATER CHILD CARE
SERVICES, INC.**

**FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Centro Mater Child Care Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Centro Mater Child Care Services, Inc., (the "Organization"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, 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 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 from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centro Mater Child Care Services, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650 Rules of the Auditor General of the State of Florida, 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 accompanying supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2015 on our consideration of the Organization's internal control over financial reporting and on our test 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 Organization's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2015

CENTRO MATER CHILD CARE SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 548,063	\$ 99,892
Accounts receivable, less allowance for doubtful accounts of \$60,000 and \$60,000, respectively	659,104	1,051,264
TOTAL CURRENT ASSETS	<u>1,207,167</u>	<u>1,151,156</u>
 PROPERTY AND EQUIPMENT, net	 325,517	 291,315
 DEPOSITS	 <u>5,210</u>	 <u>5,210</u>
 TOTAL ASSETS	 <u><u>\$ 1,537,894</u></u>	 <u><u>\$ 1,447,681</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 46,430	\$ 125,276
Accrued expenses	147,848	138,295
Advance program service fees	31,983	126,443
Due to affiliates	39,534	43,150
TOTAL CURRENT LIABILITIES	<u>265,795</u>	<u>433,164</u>
 Commitments and contingencies (Note 8)		
 NET ASSETS:		
Unrestricted	874,725	592,143
Board designated	397,374	397,374
Temporarily restricted	-	25,000
TOTAL NET ASSETS	<u>1,272,099</u>	<u>1,014,517</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,537,894</u></u>	 <u><u>\$ 1,447,681</u></u>

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

CENTRO MATER CHILD CARE SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted			Temporarily Restricted	Total
	Unrestricted	Board Designated	Total		
SUPPORT AND REVENUE:					
Support:					
Contributions:					
United Way	\$ 195,302	\$ -	\$ 195,302	\$ -	\$ 195,302
Other	31,441	-	31,441	-	31,441
In-kind	1,551,417	-	1,551,417	-	1,551,417
Total support	1,778,160	-	1,778,160	-	1,778,160
Revenue:					
Program service fees	8,510,331	-	8,510,331	-	8,510,331
Net assets released from restriction:					
Satisfaction of program restrictions	25,000	-	25,000	(25,000)	-
TOTAL SUPPORT AND REVENUE	10,313,491	-	10,313,491	(25,000)	10,288,491
EXPENSES:					
Program services:					
Child care services	8,094,478	-	8,094,478	-	8,094,478
Supporting services:					
General and administrative	1,936,431	-	1,936,431	-	1,936,431
TOTAL EXPENSES	10,030,909	-	10,030,909	-	10,030,909
CHANGE IN NET ASSETS	282,582	-	282,582	(25,000)	257,582
NET ASSETS, beginning of year	592,143	397,374	989,517	25,000	1,014,517
NET ASSETS, end of year	\$ 874,725	\$ 397,374	\$ 1,272,099	\$ -	\$ 1,272,099

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

CENTRO MATER CHILD CARE SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted		Temporarily Restricted	Total
	Unrestricted	Board Designated		
SUPPORT AND REVENUE:				
Support:				
Contributions:				
United Way	\$ 194,126	\$ -	\$ -	\$ 194,126
Other	116,448	-	-	116,448
In-kind	1,504,082	-	-	1,504,082
Total support	<u>1,814,656</u>	<u>-</u>	<u>-</u>	<u>1,814,656</u>
Revenue:				
Program service fees	<u>8,363,099</u>	<u>-</u>	<u>25,000</u>	<u>8,388,099</u>
Net assets released from restriction:				
Satisfaction of program restrictions	<u>30,750</u>	<u>(30,750)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>10,208,505</u>	<u>(30,750)</u>	<u>25,000</u>	<u>10,202,755</u>
EXPENSES:				
Program services -				
Child care services	8,132,815	-	-	8,132,815
Supporting services -				
General and administrative	<u>1,851,476</u>	<u>-</u>	<u>-</u>	<u>1,851,476</u>
TOTAL EXPENSES	<u>9,984,291</u>	<u>-</u>	<u>-</u>	<u>9,984,291</u>
CHANGE IN NET ASSETS	224,214	(30,750)	25,000	218,464
NET ASSETS, beginning of year	<u>367,929</u>	<u>428,124</u>	<u>-</u>	<u>796,053</u>
NET ASSETS, end of year	<u>\$ 592,143</u>	<u>\$ 397,374</u>	<u>\$ 25,000</u>	<u>\$ 1,014,517</u>

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

CENTRO MATER CHILD CARE SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Program Service - Child Care Services	General and Administrative	Total	Program Service - Child Care Services	General and Administrative	Total
Salaries and wages	\$ 3,732,429	\$ 925,283	\$ 4,657,712	\$ 3,629,602	\$ 883,843	\$ 4,513,445
Payroll taxes	282,178	69,953	352,131	274,688	66,889	341,577
Benefits	706,732	175,201	881,933	714,708	148,779	863,487
Total personnel costs	4,721,339	1,170,437	5,891,776	4,618,998	1,099,511	5,718,509
Occupancy:						
Rent	47,508	5,279	52,787	56,146	6,238	62,384
Utilities and other	162,992	18,110	181,102	161,361	17,929	179,290
In-kind	1,230,381	136,709	1,367,090	1,231,718	136,858	1,368,576
Specific assistance	1,042,315	-	1,042,315	1,033,409	-	1,033,409
Management fees	-	488,289	488,289	-	476,394	476,394
Bad debts	-	-	-	147,927	-	147,927
Repairs and maintenance	190,378	21,153	211,531	197,162	21,907	219,069
Insurance	206,223	22,914	229,137	248,154	27,573	275,727
In-kind goods and services	165,893	18,433	184,326	121,956	13,551	135,507
Supplies	152,631	16,959	169,590	154,967	17,219	172,186
Professional fees	68,757	17,189	85,946	53,171	13,293	66,464
Conferences, meetings and dues	16,517	11,011	27,528	16,234	10,823	27,057
Telephone	30,306	3,367	33,673	33,710	3,746	37,456
Transportation	11,556	1,283	12,839	10,436	1,160	11,596
Total expenses before depreciation	8,046,796	1,931,133	9,977,929	8,085,349	1,846,202	9,931,551
Depreciation	47,682	5,298	52,980	47,466	5,274	52,740
Total expenses	\$ 8,094,478	\$ 1,936,431	\$ 10,030,909	\$ 8,132,815	\$ 1,851,476	\$ 9,984,291

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

CENTRO MATER CHILD CARE SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 257,582	\$ 218,464
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	-	65,000
Depreciation	52,980	52,740
Change in assets and liabilities:		
(Decrease) in accounts receivable	392,160	49,843
(Decrease) in accounts payable and accrued expenses	(69,293)	(38,830)
(Decrease) in other current liabilities	<u>(94,460)</u>	<u>(62,321)</u>
Net cash provided by operating activities	<u>538,969</u>	<u>284,896</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(87,182)</u>	<u>(80,579)</u>
Net cash used in investing activities	<u>(87,182)</u>	<u>(80,579)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Payments on line of credit	-	(100,000)
Decrease in due to affiliates	<u>(3,616)</u>	<u>(43,940)</u>
Net cash used in financing activities	<u>(3,616)</u>	<u>(143,940)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	448,171	60,377
CASH AND CASH EQUIVALENTS, beginning of year	<u>99,892</u>	<u>39,515</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 548,063</u>	<u>\$ 99,892</u>

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

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Centro Mater Child Care Services, Inc., (the "Organization") is a Florida not-for-profit organization sponsored by the Archdiocese of Miami. The Organization was founded in 1968 and operates from five locations in Miami, Florida, to provide educational and developmental services to economically disadvantaged children and their families.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Included in unrestricted net assets at June 30, 2015 and 2014 are \$397,374 and \$397,374, respectively, designated by the board of directors for capital improvements, which will be funded by the line of credit if necessary.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that have been limited to use by donors for a specific time period or purpose. As of June 30, 2015 and 2014, temporarily restricted net assets totaled \$0 and \$25,000, respectively.

Permanently Restricted Net Assets

Permanently restricted net assets are donations that have been restricted to use by donors and are to be maintained into perpetuity by the Organization. At June 30, 2015 and 2014, there were no permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased as cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash deposits with financial institutions. At times, amounts invested with financial institutions exceed the Federal Deposit Insurance Corporation's \$250,000 insured limit.

Accounts Receivable

Accounts receivable consist primarily of amounts due from government grantors under various grant agreements and are stated at estimated net realizable value. Grants from government agencies are recognized as revenue when the grant funds have been expended in accordance with the grant provisions. At June 30, 2015 and 2014 the allowance for doubtful accounts was \$60,000, respectively.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Contributed assets are recorded at their fair market value on the date of donation. Expenditures which materially increase values, change capacities, or extend useful lives in excess of \$2,000 are capitalized. Expenditures for maintenance and repairs are expenses as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Contributions

The Organization reports contributions, including donations of cash and other assets, as revenues when the donor's unconditional pledge is received. Conditional promises are recorded when donor stipulations are substantially met.

Contributions received with donor restrictions that limit the use of the donated assets are reported as restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restriction.

Estimates

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

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, determine its filing and tax obligations, and to review other matters that may be considered tax positions. Management of the Organization believes there are no uncertain tax positions.

The U.S. Federal jurisdiction is the major tax jurisdiction where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal examinations by tax authorities for years before 2012.

Contributed Facilities, Goods and Services

Donated services are recognized if the services received either create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods and services are recognized at the fair value.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 2 – PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2015 and 2014 consist of the following:

	2015	2014
Land improvements	\$ 360,102	\$ 289,565
Machinery and equipment	133,000	122,354
Office equipment and software	97,315	91,316
Total property and equipment	590,417	503,235
Less: accumulated depreciation	(264,900)	(211,920)
Property and equipment, net	<u>\$ 325,517</u>	<u>\$ 291,315</u>

Depreciation expense totaled \$52,980 and \$52,740 for the years ended June 30, 2015 and 2014, respectively.

A significant portion of the facilities used by the Organization are furnished by Centro Mater, Inc. which has a long-term commitment for the continuance of the Organization’s activities. (See Note 3)

NOTE 3 – CONTRIBUTED FACILITIES, GOODS AND SERVICES

Facilities – A substantial portion of the Organization’s buildings and improvements are used rent free.

Centro Mater, Inc. (the “Corporation”) is a Florida non-profit corporation with 501(c) (3) tax-exempt status. It was incorporated in 1974 with the explicit purpose of supporting child care services. Pursuant to its articles of incorporation, membership in the corporation is limited to those individuals approved by the Archbishop of Miami and the Archbishop is the ex officio chairman of the corporation’s board of directors. Centro Mater, Inc. holds legal title to the real property of the child care centers operated by Centro Mater Child Care Services, Inc. Centro Mater, Inc. leases these properties to Centro Mater Child Care Services, Inc. for the management and operation of the child care centers pursuant to a written lease agreement between the parties. Centro Mater, Inc. has traditionally provided fundraising and other support to these child care centers. During the years ended June 30, 2015 and 2014 Centro Mater Child Care Services, Inc. used the facilities leased by Centro Mater, Inc. rent free. Market value of \$1,222,726 and \$1,237,335, respectively for the use of these facilities is included as contributions, in-kind in the accompanying statement of activities and changes in net assets in each of the years ended June 30, 2015 and 2014. During the years ended June 30, 2015 and 2015, the Organization used facilities leased by City of Hialeah, rent free with a market value of \$144,364 and \$131,240, respectively.

Goods and Services - Donated goods and services are recognized as contributions if the goods and services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased. Fair market value of goods and services totaled \$184,326 and \$135,507, respectively.

NOTE 4 – LINE OF CREDIT

The Organization has an unsecured line of credit available for \$500,000 with a financial institution with variable interest at two points below the bank’s prime rate. The line of credit had a balance of \$0 at June 30, 2015 and 2014, respectively.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 5 – RETIREMENT PLAN

The Organization's employees participate in the Archdiocese of Miami Pension Plan (the "Plan"), a defined benefit pension plan covering substantially all employees of the Archdiocese. Since the computed value of vested benefits and Plan assets for employees of the Archdiocese cannot be segregated from those of other entities participating in the Plan, it is not possible to determine that portion of the excess which may be attributable to the Organization.

The following information pertains to the Plan. Additional information related to the Plan is disclosed in the Plan's financial statements.

Eligible employees, as defined in the Plan document, with five or more years of credited service, are entitled to annual pension benefits beginning at normal retirement (age 65) equal to a defined amount per month for each year of service. The monthly benefit is 1.67% of average monthly earnings (average of the annual earnings for the highest five years preceding the retirement or termination dated of an employee) multiplied by years of credited service, subject to a maximum of 50% of average monthly earnings, regardless of length of service. Plan participants with monthly benefits of less than \$100 may elect a lump-sum benefit distribution.

Normal retirement date for benefits accrued after 2009 is social security normal retirement age with 5 years of service. Benefits accrued before 2010 are payable at the earlier of (i) the attainment of age 65 and the completion of five years of credited service, or (ii) the date upon which the sum of employee's age and years of credited service equals eighty-five (rule of 85). Service after 2009 counts towards the rule of 85 for purposes of paying pre-2010 benefit accruals.

The Plan permits early retirement for employees with ten years of credited service who have reached age 55. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity or a ten-year certain and life thereafter annuity. A distributee may elect to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee employee in a direct rollover. The normal retirement age for all benefits accrued after December 31, 2009 is social security normal retirement age.

The Plan clarified its definition of earnings to be total compensation, including wages, salary, bonuses, and overtime payments but only to the extent paid while the participant is a member (employee eligible to participate). The expected rate of compensation increase was 6% - 7.5% for years of service less than five and 5.5% for years of service of five or more for 2015 and 2014.

For purposes of determining the member's accrued benefit under the Plan, the Plan shall disregard service performed by the member with respect to which the member has received a distribution of the present value of the member's entire non-forfeitable benefit attributable to such service.

The expected long-term rate of return on assets assumption was 6.5% for 2015 and 2014, respectively. The expected long-term rate of return on assets assumption was developed considering historical and future expectations for returns for each asset class.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 5 – RETIREMENT PLAN (Continued)

The asset allocation for the Plan at June 30, 2015 and 2014, by asset category are as follows:

	2015	2014
U.S. Treasury obligations	4.9%	3.0%
Bonds	9.8%	3.5%
Corporate stocks	13.3%	20.6%
Mutual funds	44.9%	51.2%
Cash and cash equivalents	1.9%	1.9%
Real estate funds and limited partnerships	25.0%	18.7%
Receivables	0.2%	1.1%
	<u>100%</u>	<u>100%</u>

As of June 30, 2015, the following is a summary of the accumulated Plan benefits:

Vested benefits:	
Participants currently receiving payments	\$212,703,561
Terminated vested participants	78,341,728
Other participants	<u>166,190,503</u>
Total vested benefits	457,235,792
Non-vested benefits	<u>7,985,680</u>
Total actuarial present value of accumulated benefits	<u>\$465,221,472</u>
Net assets available for benefits	<u>\$429,950,421</u>

The actuarial determination of accumulated Plan benefits is performed annually as of January 1. The actuarial present values of accumulated Plan benefits at June 30, 2015 and 2014, and the changes therein for years then ended, have been estimated by the Plan's actuary based on the actuarial valuations as of February 1, 2015 and 2014, respectively.

Contributions made to the Plan in the years ended June 30, 2015 and 2014 were \$12,514,000 and \$12,348,000 respectively. The pension costs of the Organization for the years ended June 30, 2015 and 2014 were \$228,180 and \$224,535, respectively, which represent approximately 1.8% and 1.8% of total Plan contributions for the year.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 5 – RETIREMENT PLAN (Continued)

Effective January 1, 2013, the Organization froze the Plan benefits, and employees will receive the benefits already accrued, but new benefits that accrue after January 1, 2014 will be on a cash balance basis. Therefore, each participant will receive a pay credit based on total years of service with the Organization and based on 2% of pay for 1 – 10 years, 2.5% of pay for 11- 20 years and 3.0% of pay for 21+ years, where one year of service is defined as 1,000 hours if hired before January 1, 2010 and 1,500 hours if hired after January 1, 2010. The Organization will continue to make contributions to the Plan to maintain the required funding levels.

Effective January 1, 2013, the Organization will participate in a newly established Cash Balance Plan for all eligible employees in the Archdiocese, as well as make matching contributions to the 403(b) plan for eligible employees. The Organization made contributions of approximately \$56,330 and \$53,028 as of June 30, 2015 and 2014, respectively.

The Organization participation in the Plan for the year ended June 30, 2015 and 2014 is outlined below.

- Pension fund name: Archdiocese of Miami Pension Plan.
- Employer identification number: 59-6220547
- Pension Protection Act Zone Status is *green* for the years ended June 30, 2015 and 2014, based on information that the Organization received from the Plan and certified by the Plan's actuary. Green status means that the Plan is at least 80 percent funded.
- A financial improvement plan (FIP) or a rehabilitation plan (RP) is not required.
- Organization contributions for the years ended June 30, 2015 and 2014 were \$228,180 and \$224,535, respectively, represents 1.8% of total contributions to the Plan and are included in *benefits* in the accompanying statements of functional expenses.
- Total Plan contributions for the years ended June 30, 2015 and 2014 were approximately \$12,514,000 and \$12,348,000
- No surcharge is imposed on Plan assets.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization utilizes management services provided by Catholic Health Services, Inc., ("CHS") an agency sponsored by the Archdiocese of Miami. Management fees paid to CHS for the years ended June 30, 2015 and 2014 were \$488,289 and \$476,394, respectively.

The Organization participates in the Archdiocese of Miami's self-insurance program providing coverage for property and liability losses. Self-insurance losses up to \$250,000 on an individual occurrence basis are absorbed by the Archdiocese of Miami. Losses in excess of the above limits are covered by excess insurance policies. It is the policy of the Archdiocese of Miami to charge the cost of the self-insurance program to participants. The Organization contributed \$229,137 and \$275,727 to the self-insurance program during the years ended June 30, 2015 and 2014, respectively.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

The Organization also participates in the pension (Note 5) and health and welfare plans sponsored by the Archdiocese of Miami. Contribution to the health and welfare plan, which provides defined health benefits (dental and major medical) to eligible employees of the Organization were \$588,825 and \$582,202 for the years ended June 30, 2015 and 2014 and are included in benefits in the accompanying statements of functional expenses.

At June 30, 2015 and 2014 the Organization owes affiliated entities \$39,534 and \$43,150, respectively which bears no interest rate and is expected to be repaid within one year.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2014, temporarily restricted net assets of \$25,000 were available for the Building Expansion-East. These funds were held in cash. As of June 30, 2015, there were no temporarily restricted net assets.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating Leases – The Organization conducts certain operations in leased facilities or uses equipment under operating leases expiring at various times with varying renewal options. The total rent expense pursuant to these leases amounted to \$52,861 and \$61,578 for the years ended June 30, 2015 and 2014, respectively.

Total future minimum lease payments under the operating leases as of June 30, 2015 are as follows:

2016	\$ 61,578
2017	57,598
2018	57,598
2019	57,598
2020	57,598
	<u>\$ 291,970</u>

Support from Outside Agencies – The Organization receives a substantial amount of its support from grants from federal, state and local governmental agencies. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's services and activities. Also, grants are subject to special audits. Such audits could result in claims against the Organization for disallowed costs or non compliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. However, management is of the opinion that no material liability would result from such audits.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2015, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CENTRO MATER CHILD CARE SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor-Program Title	Federal CFDA Number	Grant/ Contract number	Federal Expenditures
U.S. Department of Agriculture/Florida Department of Health Child and Adult Care Food Program	10.558	S-2686	\$ 1,009,843
U.S. Department of Housing and Urban Development/ City of Miami Community Development Block Grants	14.218	91-03328 & 91-80362	46,440
U.S. Department of Housing and Urban Development/ Miami-Dade County Head Start Program	93.600	RFA13	3,287,149
Early Head Start Program	93.600	RFA13	748,148
			<u>4,035,297</u>
U.S. Department of Housing and Urban Development/ Temporary Assistance for Needy Families	93.558	N/A	308,372
U.S. Department of Housing and Urban Development/ Child Care and Development Block Grant	93.575	N/A	<u>389,776</u>
Total Federal Expenditures			<u>\$ 5,789,728</u>
State Grantor/Pass-Through Grantor-Program Title	State CSFA Number	Grant/ Contract number	State Expenditures
Florida Department of Education Voluntary Pre-Kindergarten Education Program	48.108	N/A	<u>\$ 585,902</u>
Total State Assistance Expenditures			<u>\$ 585,902</u>

See accompanying notes to this schedule.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEARS ENDED JUNE 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and with State of Florida Rules of the Auditor General Chapter 10.650, *State Single Audits of Non-Profit Organization* therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.



**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***

The Board of Directors
Centro Mater Child Care Services, Inc.

We have audited, 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, the financial statements of Centro Mater Child Care Services, Inc., (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the auditing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 the Organization'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 material effect on the determination of financial statement amounts. However, providing and opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result 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 Organization's internal control or compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND STATE
PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE BY OMB CIRCULAR A-133
AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

The Board of Directors
Centro Mater Child Care Services, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Centro Mater Child Care Services, Inc.'s (the "Organization"), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2015. The Organization's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization major federal programs and state projects 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, 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 or state project occurred. An audit includes examining, on a test basis, evidence about the Organization'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 and state project. However, our audit does not provide a legal determination of the Organization' compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Organization' 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 Organization' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project 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 state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, 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 Organization' 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 or state project 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 or state project 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 and state project 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 OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2015

**CENTRO MATER CHILD CARE SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL PROGRAMS AND STATE
 FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?
 yes no

Federal Awards and State Projects

Type of auditor's report issued on compliance for major programs: *Unmodified*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?
 yes no

Identification of major programs:

Federal Program /State Projects or Cluster	CFDA/CSFA Number	Expenditures
U.S. Dept of Agriculture/Florida Department of Health Child and Adult Care Food Program	10.558	\$ 1,009,843
U.S. Dept. of Health and Human Services Head Start and Early Head Start Program	93.600	\$ 4,035,297
U.S. Dept. of Health and Human Services Temporary Assistance for Needy Families	93.558	\$ 308,372
U.S. Dept. of Health and Human Services Child Care and Development Block Grant	93.575	\$ 389,776
Florida Department of Education Voluntary Pre-Kindergarten Education Program	48.108	\$ 585,902

**CENTRO MATER CHILD CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL PROGRAMS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015**

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

None for the year ended June 30, 2015

SECTION III - FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AND STATE PROJECTS

None for the year ended June 30, 2015

SECTION IV - SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

1. No management letter was issued for the year ended June 30, 2015.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings relating to Federal Award Programs or State Financial Assistance Projects.
3. No corrective action plan is required because there were no findings required to be reported under the Federal OMB Circular A-133 Compliance Supplement or the Department of Financial Services' State Project Compliance Supplement.