

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

**FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2016 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 and 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 28, 2016

CENTRO MATER CHILD CARE SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 712,118	\$ 548,063
Accounts receivable, less allowance for doubtful accounts of \$87,100 and \$60,000, respectively	708,375	659,104
TOTAL CURRENT ASSETS	1,420,493	1,207,167
 PROPERTY AND EQUIPMENT, net	 366,836	 325,517
 DEPOSITS	 5,210	 5,210
 TOTAL ASSETS	 \$ 1,792,539	 \$ 1,537,894
 LIABILITIES AND NET ASSETS		
 CURRENT LIABILITIES		
Accounts payable	\$ 44,438	\$ 46,430
Accrued expenses	182,040	147,848
Advance program service fees	47,648	31,983
Due to affiliates	58,003	39,534
TOTAL CURRENT LIABILITIES	332,129	265,795
 Commitments and contingencies (Note 7)		
 NET ASSETS		
Unrestricted	1,063,036	874,725
Board designated	397,374	397,374
TOTAL NET ASSETS	1,460,410	1,272,099
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,792,539	 \$ 1,537,894

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, 2016

	Unrestricted			Temporarily Restricted	Total
	Unrestricted	Board Designated	Total		
SUPPORT AND REVENUE					
Support:					
Contributions:					
United Way	\$ 219,433	\$ -	\$ 219,433	\$ -	\$ 219,433
Other	142,451	-	142,451	-	142,451
In-kind	1,680,521	-	1,680,521	-	1,680,521
Total support	<u>2,042,405</u>	<u>-</u>	<u>2,042,405</u>	<u>-</u>	<u>2,042,405</u>
Revenue:					
Program service fees	<u>8,671,009</u>	<u>-</u>	<u>8,671,009</u>	<u>-</u>	<u>8,671,009</u>
TOTAL SUPPORT AND REVENUE	<u>10,713,414</u>	<u>-</u>	<u>10,713,414</u>	<u>-</u>	<u>10,713,414</u>
EXPENSES					
Program services:					
Child care services	8,505,109	-	8,505,109	-	8,505,109
Supporting services:					
General and administrative	<u>2,019,994</u>	<u>-</u>	<u>2,019,994</u>	<u>-</u>	<u>2,019,994</u>
TOTAL EXPENSES	<u>10,525,103</u>	<u>-</u>	<u>10,525,103</u>	<u>-</u>	<u>10,525,103</u>
CHANGE IN NET ASSETS	188,311	-	188,311	-	188,311
NET ASSETS, beginning of year	<u>874,725</u>	<u>397,374</u>	<u>1,272,099</u>	<u>-</u>	<u>1,272,099</u>
NET ASSETS, end of year	<u>\$ 1,063,036</u>	<u>\$ 397,374</u>	<u>\$ 1,460,410</u>	<u>\$ -</u>	<u>\$ 1,460,410</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	<u>1,778,160</u>	<u>-</u>	<u>1,778,160</u>	<u>-</u>	<u>1,778,160</u>
Revenue:					
Program service fees	<u>8,510,331</u>	<u>-</u>	<u>8,510,331</u>	<u>-</u>	<u>8,510,331</u>
Net assets released from restriction:					
Satisfaction of program restrictions	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>10,313,491</u>	<u>-</u>	<u>10,313,491</u>	<u>(25,000)</u>	<u>10,288,491</u>
EXPENSES					
Program services -					
Child care services	8,094,478	-	8,094,478	-	8,094,478
Supporting services -					
General and administrative	<u>1,936,431</u>	<u>-</u>	<u>1,936,431</u>	<u>-</u>	<u>1,936,431</u>
TOTAL EXPENSES	<u>10,030,909</u>	<u>-</u>	<u>10,030,909</u>	<u>-</u>	<u>10,030,909</u>
CHANGE IN NET ASSETS	282,582	-	282,582	(25,000)	257,582
NET ASSETS, beginning of year	<u>592,143</u>	<u>397,374</u>	<u>989,517</u>	<u>25,000</u>	<u>1,014,517</u>
NET ASSETS, end of year	<u>\$ 874,725</u>	<u>\$ 397,374</u>	<u>\$ 1,272,099</u>	<u>\$ -</u>	<u>\$ 1,272,099</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, 2016 AND 2015

	2016			2015		
	Program Services -	Supporting Services -	Total	Program Services -	Supporting Services -	Total
	Child Care Services	General and Administrative		Child Care Services	General and Administrative	
Salaries and wages	\$ 3,874,330	\$ 960,460	\$ 4,834,790	\$ 3,732,429	\$ 925,283	\$ 4,657,712
Payroll taxes	287,618	71,301	358,919	282,178	69,953	352,131
Benefits	739,697	183,374	923,071	706,732	175,201	881,933
Total personnel costs	4,901,645	1,215,135	6,116,780	4,721,339	1,170,437	5,891,776
Occupancy:						
Rent	51,827	5,759	57,586	47,508	5,279	52,787
Utilities and other	152,849	16,983	169,832	162,992	18,110	181,102
In-kind	1,358,513	150,946	1,509,459	1,230,381	136,709	1,367,090
Specific assistance	1,071,444	-	1,071,444	1,042,315	-	1,042,315
Management fees	-	498,946	498,946	-	488,291	488,291
Bad debts	27,102	-	27,102	-	-	-
Repairs and maintenance	240,168	26,685	266,853	190,378	21,153	211,531
Insurance	185,198	20,578	205,776	206,223	22,914	229,137
In-kind goods and services	153,956	17,106	171,062	165,893	18,433	184,326
Supplies	176,608	19,624	196,232	152,631	16,957	169,588
Professional fees	88,910	22,228	111,138	68,757	17,189	85,946
Conferences, meetings and dues	27,430	18,286	45,716	16,517	11,011	27,528
Telephone	5,624	625	6,249	30,306	3,367	33,673
Transportation	10,488	1,165	11,653	11,556	1,283	12,839
Total expenses before depreciation	8,451,762	2,014,066	10,465,828	8,046,796	1,931,133	9,977,929
Depreciation	53,347	5,928	59,275	47,682	5,298	52,980
Total expenses	<u>\$ 8,505,109</u>	<u>\$ 2,019,994</u>	<u>\$ 10,525,103</u>	<u>\$ 8,094,478</u>	<u>\$ 1,936,431</u>	<u>\$ 10,030,909</u>

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 188,311	\$ 257,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	27,100	-
Depreciation	59,275	52,980
(Increase) Decrease in assets:		
Accounts receivable	(76,371)	392,160
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	32,200	(69,293)
Other current liabilities	15,665	(94,460)
Net cash provided by operating activities	<u>246,180</u>	<u>538,969</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(100,594)	(87,182)
Net cash used in investing activities	<u>(100,594)</u>	<u>(87,182)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in due to affiliates	18,469	(3,616)
Net cash provided by (used in) financing activities	<u>18,469</u>	<u>(3,616)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	164,055	448,171
CASH AND CASH EQUIVALENTS, beginning of year	<u>548,063</u>	<u>99,892</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 712,118</u>	<u>\$ 548,063</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, 2016 AND 2015

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, 2016 and 2015 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, 2016 and 2015, there were no temporarily restricted net assets.

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, 2016 and 2015, 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, 2016 and 2015 the allowance for doubtful accounts was \$87,100 and \$60,000, respectively.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 2013.

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, 2016 AND 2015

NOTE 2 – PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2016 and 2015 consist of the following:

	2016	2015
Leasehold improvements	436,161	360,102
Machinery and equipment	133,737	133,000
Office equipment and software	121,113	97,315
Total property and equipment	691,011	590,417
Less: accumulated depreciation	(324,175)	(264,900)
Property and equipment, net	<u>\$ 366,836</u>	<u>\$ 325,517</u>

Depreciation expense totaled \$59,275 and \$52,980 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 Centro Mater Child Care Services, Inc. used the facilities leased by Centro Mater, Inc. rent free. Market value of \$1,365,095 and \$1,222,726, 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, 2016 and 2015. During the years ended June 30, 2016 and 2015, the Organization used facilities leased by City of Hialeah, rent free with a market value of \$144,364 and \$144,364, 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 \$171,062 and \$184,326, respectively.

NOTE 4 – LINE OF CREDIT

The Organization has an unsecured line of credit available for \$500,000 with a financial institution. This line of credit is on demand and accrues variable interest at two points below the bank’s prime rate. The line of credit had a balance of \$0 at June 30, 2016 and 2015, respectively.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 total Plan only, in which the Organization is a participant. 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 2016 and 2015.

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 2016 and 2015, 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, 2016 AND 2015

NOTE 5 – RETIREMENT PLAN (Continued)

The asset allocation for the Plan at June 30, 2016 and 2015, by asset category are as follows:

	<u>2016</u>	<u>2015</u>
U.S. Treasury obligations	7.0%	4.9%
Bonds	8.2%	9.8%
Corporate stocks	11.8%	13.3%
Mutual funds	42.5%	44.9%
Cash and cash equivalents	3.5%	1.9%
Real estate funds and limited partnerships	26.6%	25.0%
Receivables	0.4%	0.2%
	<u>100%</u>	<u>100%</u>

As of June 30, 2016, the following is a summary of the accumulated Plan benefits:

Vested benefits:	
Participants currently receiving payments	\$ 218,338,906
Terminated vested participants	78,202,078
Other participants	<u>167,025,434</u>
Total vested benefits	463,566,418
Non-vested benefits	<u>7,226,359</u>
Total actuarial present value of accumulated benefits	<u>\$ 470,792,777</u>
Net assets available for benefits	<u>\$ 410,722,650</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, 2016 and 2015, and the changes therein for years then ended, have been estimated by the Plan's actuary based on the actuarial valuations as of January 1, 2016 and 2015, respectively.

Contributions made to the Plan in the years ended June 30, 2016 and 2015 were \$12,957,000 and \$12,514,000 respectively. The pension costs of the Organization for the years ended June 30, 2016 and 2015 were \$234,426 and \$228,180, 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, 2016 AND 2015

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, 2013 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 \$59,137 and \$56,330 as of June 30, 2016 and 2015, respectively.

The Organization participation in the Plan for the year ended June 30, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015 were \$234,426 and \$228,180, respectively, represents 1.8% and 1.8%, respectively 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, 2016 and 2015 were approximately \$12,957,000 and \$12,514,000
- 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, 2016 and 2015 were \$498,946 and \$488,921, 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 \$205,773 and \$229,137 to the self-insurance program during the years ended June 30, 2016 and 2015, respectively.

CENTRO MATER CHILD CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 \$604,876 and \$588,825 for the years ended June 30, 2016 and 2015 and are included in benefits in the accompanying statements of functional expenses.

At June 30, 2016 and 2015 the Organization owes affiliated entities \$58,003 and \$39,534, respectively which bears no interest rate and is expected to be repaid within one year.

NOTE 7 – 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 \$57,585 and \$52,861 for the years ended June 30, 2016 and 2015, respectively.

Total future minimum lease payments under the operating leases subsequent to June 30, 2016 are as follows:

2017	\$	65,050
2018		58,830
2019		57,587
2020		57,587
2021		57,587
		<u>57,587</u>
	\$	<u>296,641</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 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2016, 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, 2016

Federal Grantor/Pass-Through Grantor-Program Title	Federal CFDA Number	Grant/ Contract number	Federal Expenditures
U.S. Department of Agriculture Food and Nutrition Service/ Florida Department of Health Child and Adult Care Food Program	10.558	S-2686	\$ 1,085,820
U.S. Department of Housing and Urban Development/ City of Miami Community Development Block Grants	14.218	91-80362	46,903
U.S. Department of Health and Human Services/ Miami-Dade County Head Start Program	93.600	RFA13	3,431,275
Early Head Start Program	93.600	RFA13	782,589
U.S. Department of Health and Human Services/ Early Learning Coalition Temporary Assistance for Needy Families	93.558	TANF	172,537
Temporary Assistance for Needy Families	93.558	TANF MOE	121,897
U.S. Department of Health and Human Services/ Early Learning Coalition Child Care and Development Block Grant	93.575	TANF Transfer to CCDF	167,833
Child Care and Development Block Grant	93.575	CCDF Discretionary	209,066
U.S. Department of Health and Human Services/ Early Learning Coalition Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCDF Mandatory	65,252
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCDF Matching (Federal)	140,812
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCDF MOE	42,634
U.S. Department of Health and Human Services/ Early Learning Coalition Social Services Block Grant	93.667	SSBG	90
Total Federal Expenditures			<u>\$ 6,266,708</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	\$ 583,220
Total State Assistance Expenditures			<u>\$ 583,220</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 YEAR ENDED JUNE 30, 2016

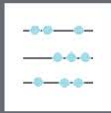
NOTE A – BASIS OF PRESENTATION

The Schedules of Expenditures of Federal Awards and State Financial Assistance (the “Schedules”) represent all of the Federal and State awards to the Organization during the year ended June 30, 2016.

The information in the schedules are 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) and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Because the Schedules present only a selected portion of the operation of the Organization, they are not intended to and do not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) 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.
- (2) The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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, 2016, 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 28, 2016.

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 an 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*.

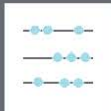
Purpose of this Report

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 28, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE 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 with the types of compliance requirements described in the *OMB 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, 2016. The Organization's major federal programs and state projects 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 and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's 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; 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); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, 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, 2016.

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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or 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 the Uniform Guidance 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'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 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 the Uniform Guidance 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 28, 2016

**CENTRO MATER CHILD CARE SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL PROGRAMS AND STATE
 FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2016**

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

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 the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*? 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	\$ 1,085,820
U.S. Dept. of Health and Human Services Head Start and Early Head Start Program	93.600	\$ 4,213,864
U.S. Dept. of Health and Human Services Temporary Assistance for Needy Families	93.558	\$ 294,434
U.S. Dept. of Health and Human Services CCDF Cluster	93.575, 93.596	\$ 625,597
U.S. Dept. of Health and Human Services Temporary Assistance for Needy Families	93.667	\$ 90
Florida Department of Education Voluntary Pre-Kindergarten Education Program	48.108	\$ 583,220

**CENTRO MATER CHILD CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL PROGRAMS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

Dollar threshold used to distinguish between type A and
type B programs for federal and state projects,
respectively:

\$ 750,000

\$ 300,000

Auditee qualified as low-risk auditee?

X yes no

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

None for the year ended June 30, 2016.

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

None for the year ended June 30, 2016.

SECTION IV - SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

1. No management letter was issued for the year ended June 30, 2016.
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 Compliance Supplement or the Department of Financial Services' State Project Compliance Supplement.