

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Financial Statements and Supplementary Information
June 30, 2018

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Table of Contents
June 30, 2018

Independent Auditor’s Report	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 16
Supplementary Information	
Schedule I – Grants from Federal, State, and Local Agencies	17 – 18
Schedule II – Grants – Counties and Municipalities	
Schedule III – Contributions – United Way	
Schedule IV – Contributions – Other	19
Reporting Section	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 – 21



Independent Auditor's Report

To the Board of Directors of
Redlands Christian Migrant Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Redlands Christian Migrant Association, Inc. (RCMA) (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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.

Prager Metis CPAs, LLC

999 PONCE DE LEON BLVD.
SUITE 1045
CORAL GABLES, FL 33134

T 305.444.8288
F 305.444.8280

www.pragermetis.com





Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of Redlands Christian Migrant Association, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules I, II, III and IV (pages 17 – 19) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Redlands Christian Migrant Association, Inc.'s 2017 financial statements, and expressed an unmodified audit opinion on those audited financial statements in the report dated October 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of RCMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering RCMA's internal control over financial reporting and compliance.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Coral Gables, Florida
October 5, 2018

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statement of Financial Position
Year Ended June 30, 2018
(With summarized comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Combined Totals	
			2018	2017
Assets				
Current assets				
Cash and cash equivalents	\$ 2,550,185	\$ 182,700	\$ 2,732,885	\$ 4,795,367
Accounts receivable – grants	3,684,319	-	3,684,319	2,521,558
– other	25,514	-	25,514	23,234
– school boards	479,053	-	479,053	221,643
Current assets	811,112	-	811,112	377,523
Total current assets	7,550,183	182,700	7,732,883	7,939,325
Property and equipment	14,313,287	8,164,884	22,478,171	21,970,379
Deposits and other assets				
Cash – sinking fund	940,033	-	940,033	924,380
Cash set aside for –				
Future health insurance claims (Note 5)	397,153	-	397,153	582,214
Purchases of future improvements	-	-	-	314,663
Building and utility deposits	68,133	-	68,133	55,006
Donated rental property	125,000	-	125,000	125,000
Total assets	\$ 23,393,789	\$ 8,347,584	\$ 31,741,373	\$ 31,910,967
Liabilities and net assets				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,935,560	\$ -	\$ 1,935,560	\$ 1,584,581
Accrued payroll, vacation, sick leave and other expenses	3,595,018	-	3,595,018	3,629,625
Advances from funding agencies	733,082	-	733,082	294,054
Current portion of long-term debt	385,808	-	385,808	313,880
Total current liabilities	6,649,468	-	6,649,468	5,822,140
Long-term debt, less current portion	5,731,836	-	5,731,836	4,775,245
Total liabilities	12,381,304	-	12,381,304	10,597,385
Net assets				
Designated reserve for future health insurance claims	397,153	-	397,153	582,214
Designated for purchases of future improvements	-	-	-	314,663
Other net assets	10,615,332	8,347,584	18,962,916	20,416,705
Total net assets	11,012,485	8,347,584	19,360,069	21,313,582
Total liabilities and net assets	\$ 23,393,789	\$ 8,347,584	\$ 31,741,373	\$ 31,910,967

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

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statement of Financial Position
Year Ended June 30, 2018
(With summarized comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Combined Totals	
			2018	2017*
Revenue and contributions				
Grants				
– federal, state and local agencies	\$ 60,321,606	\$ 911,821	\$ 61,233,427	\$ 59,927,130
– counties and municipalities	58,000	-	58,000	118,000
– charter schools revenues	4,560,083	-	4,560,083	4,508,071
Other revenue				
Child care fees	677,835	-	677,835	785,734
Rental income	161,560	-	161,560	20,965
Interest, investment and other income	70,663	-	70,663	180,783
Fund raising events	383,956	-	383,956	392,717
Hurricane revenue	783,974	167,233	951,207	
Contributions – local				
– Agriculture	162,745	15,467	178,212	180,827
– United Way	34,000	-	34,000	40,596
– Other	401,447	-	401,447	422,764
– for Charter Schools	184,228	-	184,228	133,933
– for Charter Schools	481,898	-	481,898	515,163
Donated space, materials and services	3,503,269	-	3,503,269	3,406,487
	<u>71,785,264</u>	<u>1,094,521</u>	<u>72,879,785</u>	<u>70,633,170</u>
Functional expenses				
Program services	66,857,022	-	66,857,022	63,865,340
General and administrative	7,654,682	-	7,654,682	6,980,061
Fund raising	346,996	-	346,996	265,322
	<u>74,858,700</u>	<u>-</u>	<u>74,858,700</u>	<u>71,110,723</u>
Excess (deficiency) of revenues and contributions over expenses	(3,073,436)	1,094,521	(1,978,915)	(477,553)
Other changes in net assets				
Net assets released from restriction	1,606,304	(1,606,304)	-	-
Other increases (decrease) in net assets	25,402	-	25,402	109,669
Net change in net assets	(1,441,730)	(511,783)	(1,953,513)	(367,884)
Net assets – beginning of year	12,454,215	8,859,367	21,313,582	21,681,466
Net assets – end of year	<u>\$ 11,012,485</u>	<u>\$ 8,347,584</u>	<u>\$ 19,360,069</u>	<u>\$ 21,313,582</u>

*Certain amounts have been reclassified for comparative purposes

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

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statement of Functional Expenses
Year Ended June 30, 2018
(With summarized comparative totals for 2017)

	Programs					Total	General and Support		Combined Totals	
	Child Care Subsidized	Head Start	Food Service	Other	Charter Schools		Administrative	Fundraising	2018	2017
Personnel costs										
Salaries	\$ 8,570,786	\$ 22,656,025	\$ 1,399,636	\$ 297,671	\$ 4,168,067	\$ 37,092,185	\$ 3,494,943	\$ 152,105	\$ 40,739,233	\$ 40,155,026
Payroll taxes and fringe benefits	2,079,376	6,132,214	409,392	70,776	904,937	9,596,695	1,175,937	28,958	10,801,590	9,334,504
Total personnel costs	10,650,162	28,788,239	1,809,028	368,447	5,073,004	46,688,880	4,670,880	181,063	51,540,823	49,489,530
Contracted services										
Child care services	893,854	885,208	97,037	18,280	-	1,894,379	-	-	1,894,379	1,795,999
Other	98,408	45,274	500	21,696	55,104	220,982	172,413	6,899	400,294	256,490
Food	-	-	1,446,159	22,149	245,630	1,713,938	-	-	1,713,938	1,622,531
Supplies *	313,096	1,289,679	80,891	25,443	149,088	1,858,197	96,098	92	1,954,387	2,116,437
Consumable equipment	181,222	551,375	1,506	58,494	63,264	855,861	77,031	213	933,105	762,716
Transportation	95,367	417,154	3,625	8,316	143,157	667,619	59,556	-	727,175	724,369
Out of state travel	-	61,678	-	3,216	2,606	67,500	34,154	707	102,361	75,309
Occupancy costs	1,074,721	2,848,402	-	384,182	336,675	4,643,980	255,735	686	4,900,401	4,301,391
Donated space	-	3,443,175	-	-	-	3,443,175	-	-	3,443,175	3,323,861
In state travel	65,544	186,921	15,139	7,172	14,145	288,921	82,515	12,528	383,964	450,569
Health services	8,899	75,332	-	-	86,859	171,090	30,609	-	201,699	173,891
Interest	-	-	-	-	-	-	161,956	-	161,956	89,839
Conferences and workshops	86,345	524,233	4,872	18,839	108,124	742,413	73,639	3,530	819,582	883,626
Direct costs of fundraising events	-	-	-	-	-	-	-	116,424	116,424	99,685
Scholarships	-	-	-	18,000	-	18,000	-	-	18,000	28,000
Other expenses	79,184	243,500	559	495,780	313,221	1,132,244	270,846	24,650	1,427,740	996,195
Professional fees	4,605	14,893	-	5,624	-	25,122	217,795	-	242,917	275,841
Repairs and maintenance	65,629	168,202	70	2,656	43,261	279,818	56,740	204	336,762	273,851
Depreciation	149,637	1,595,304	-	750	51,822	1,797,513	1,362,739	-	3,160,252	2,919,522
Data processing	99,337	237,307	10,139	607	-	347,390	29,131	-	376,521	445,396
Uncollected child care fees	-	-	-	-	-	-	2,845	-	2,845	5,675
Totals	\$ 13,866,010	\$ 41,375,876	\$ 3,469,525	\$ 1,459,651	\$ 6,685,960	\$ 66,857,022	\$ 7,654,682	\$ 346,996	\$ 74,858,700	\$ 71,110,723

* Includes \$59,096 of donated supplies.

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

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statement of Cash Flows
Year Ended June 30, 2018
(With summarized comparative totals for 2017)

	Unrestricted Funds	Temporarily Restricted Funds	Combined Totals	
			2018	2017
Cash flows from operating activities				
Cash received from grantors and revenues	\$ 67,271,501	\$ 1,094,521	\$ 68,366,022	\$ 69,429,292
Cash paid to suppliers and employees	(68,154,613)	-	(68,154,613)	(64,979,799)
Interest received	27,071	-	27,071	13,133
Interest paid	(161,956)	-	(161,956)	(89,839)
Net cash provided by operating activities	(1,017,997)	1,094,521	76,524	4,372,787
Cash flows from investing activities				
Purchase of property and equipment	(1,339,776)	(911,821)	(2,251,597)	(2,779,302)
Cash set aside in sinking fund	(15,653)	-	(15,653)	(34,650)
Net cash used in investing activities	(1,355,429)	(911,821)	(2,267,250)	(2,813,952)
Cash flows from financing activities				
Principal payments of long-term debt	(371,480)	-	(371,480)	(209,268)
Net repayments of line of credit	-	-	-	(30,807)
Net cash used in financing activities	(371,480)	-	(371,480)	(240,075)
Net increase (decrease) in cash and cash equivalents	(2,744,906)	182,700	(2,562,206)	1,318,760
Cash and cash equivalents – beginning of year	4,795,367	-	4,795,367	2,990,245
Cash set aside	499,724	-	499,724	486,362
Cash and cash equivalents – end of year	\$ 2,550,185	\$ 182,700	\$ 2,732,885	\$ 4,795,367
The net change in net assets may be reconciled to net cash provided by operating activities as follows				
Net change in net assets	\$ (1,441,730)	\$ (511,783)	\$ (1,953,513)	\$ (367,884)
Add back items which do not affect cash				
Depreciation	3,160,252	-	3,160,252	2,919,522
Unrealized gain on marketable securities	(8,954)	-	(8,954)	(19,752)
Gain on disposal of fixed assets	(16,448)	-	(16,448)	(89,917)
Revenue released from restriction	(1,606,304)	1,606,304	-	-
Add or (deduct) changes in certain assets and liabilities				
Accounts receivable	(1,422,451)	-	(1,422,451)	2,013,644
Prepaid expenses and other	(433,589)	-	(433,589)	111,089
Advances from funding agencies	439,028	-	439,028	202,098
Other assets	(4,173)	-	(4,173)	17,797
Accounts payable and accrued expenses	316,372	-	316,372	(413,810)
Net cash provided by operating activities	\$ (1,017,997)	\$ 1,094,521	\$ 76,524	\$ 4,372,787

Noncash transactions

Debt incurred of \$1,400,000 for construction in progress

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

Note 1 Organization and Purpose

Redlands Christian Migrant Association, Inc. (RCMA and/or the Organization) was incorporated as a not-for-profit organization under the laws of the State of Florida in 1965. RCMA's purpose is to administer child care, and early childhood education centers for the children of migrant and seasonal farm workers whose families' total income does not exceed an amount over the poverty levels as defined by the funding agencies. RCMA achieves its purpose through a variety of programs funded substantially by federal and state grants and individual contributions.

In addition, the Organization serves as the sponsor for three charter schools with the school districts of Hillsborough County Public District School Board and the Collier County Public District School Board. The current charters are effective for a maximum of five (5) years and may be renewed by mutual written agreement between the Schools and the Districts for an additional five year period.

Note 2 Summary of Significant Accounting Policies

Basis of Financial Statements Presentation and Significant Estimates

The significant accounting policies described below have been identified as those which impact the reader's understanding of the Organization's basis of financial statement presentation and those that require significant estimates and judgment on the part of management.

Reporting Requirements

The accompanying financial statements include the accounts of RCMA and those of the charter schools' programs and have been prepared in accordance with generally accepted accounting principles and reporting practices for this industry. The accounts of RCMA are maintained on the accrual basis of accounting and in accordance with the principles of fund accounting, in order to ensure observance of the limitations and restrictions placed on the use of its resources. Such funds are grouped into the following categories:

General The general fund is used to reflect the Organization's unrestricted activities that are not directly related to its major programs.

Programs

Type "A" RCMA's type "A" Programs are those with a negotiated rate where the excess of support and revenue over expenses inure to the benefit of the Organization while the excess of expenses over support and revenue become liabilities.

Type "B" The type "B" Programs are those that are funded on a cost reimbursement basis (line item contracts) where the excess of support and revenue over expenses are available for future periods or must be refunded to the funding agencies upon termination of the programs (see temporary restricted net assets on the following page).

Note 2 Summary of Significant Accounting Policies (continued)

For external reporting purposes the information regarding its financial position, activities and cash flows is presented according to the following three classes of net assets:

Unrestricted Unrestricted group reflects the Organization's unrestricted activities that are not subject to donor-imposed stipulations.

Temporarily Restricted Temporarily restricted group reflects the Organization's activities and resulting net assets from donors' restricted contributions that the Organization feels will be met, either by the passage of time or by actions of the Organization. In addition, there is temporarily restricted cash for Scholarships and Hurricane Funds.

Permanently Restricted Permanently restricted group reflects the Organization's activities and resulting net assets from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organizations. The Organization has no permanently restricted net assets.

In this connection, all donor-restricted support will be reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets will be classified to unrestricted net assets. Therefore, support that is restricted by the donor will be reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

RCMA's contracts for the **type "A" programs** provide for specific performance in exchange for the price paid under the contracts; and therefore, those contracts are treated as exchange transactions. RCMA deems that it has performed under the terms of such contracts; and, accordingly, the amounts received and/or receivable under such contracts are unrestricted. However, certain transactions in the **type "B" programs** are recorded in the temporary restricted funds. As previously described above, the line item reimbursement programs are those that fund RCMA on the cost reimbursement basis. The net assets on these programs reflect an excess support and revenue over expenses resulting from the reimbursements for property and equipment, which is, recorded as capital assets less depreciation in accordance with generally accepted accounting principles. The book value of such capital assets is included in the temporary restricted net asset column with any other restricted contribution received during the year. The depreciation in all type B programs represents a reduction on the temporary restricted net assets since such depreciation represents the allowed use of the property for that period.

Note 2 Summary of Significant Accounting Policies (continued)

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. In addition, the statement of functional expenses includes prior year summarized information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Estimates

In preparing the financial statements of the Organization, management had to make estimates and assumptions that affected the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the balance sheet date, and the revenues and expenses for the period then ended. Such estimates are based on historical experience and other assumptions that are considered appropriate in the circumstances. However, actual results could differ from those estimates and these differences may be material.

Donated Space, Materials and Services

Donated space and materials are reflected in the accompanying statements at their fair value, using a valuation based on observable quoted prices for similar assets in active markets as established by the hierarchy of fair market value measurements. Donated space absent donor restrictions are recorded as unrestricted. Donated services have not been reflected in these statements, since they did not "create or enhance non-financial assets" or "require specialized skills" and would typically be purchased if not provided by donation as required for recognition under generally accepted accounting principles. However, these donations meet the matching requirements of various grants. A substantial number of volunteers have donated significant amounts of time to RCMA.

Cash and Cash Equivalents

The Organization considers investments in highly liquid debt instruments with maturity of three months or less to be cash equivalents. The Organization's bank balances are invested daily with the bank's investments, which are substantially Treasury bills.

Accounts Receivable - Grants and Other

RCMA considers accounts receivable to be collectible; accordingly, no allowance for doubtful accounts is required. When amounts are determined to be uncollectible, they are charged to operations.

Note 2 Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost when purchased or constructed, or at market value when donated. The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Property and equipment acquired with certain federal funds may have to be returned to the funding agency upon termination of the program. The funds received for the purchase of such property is recorded as temporarily restricted. The annual depreciation charge on those assets is reflected as net assets released from restriction. Expenditures for major renewals and betterment that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is included in the statement of activities and is computed on the straight-line basis over the estimated useful life of the assets.

Long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying value is impaired, the long-lived assets will be written down to their fair market value with a corresponding charge to earnings. No such impairment was recorded for the year ended June 30, 2018.

Transfers

To the extent that funds are released from their restrictions and/or designated purpose, the amounts released will be accounted for as increases in the unrestricted net assets.

Income Taxes

RCMA is organized as a not-for-profit organization and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Income taxes for such unrelated business income approximated \$39,000 and \$20,800 in 2018 and 2017, respectively. The Organization's information returns filed with the Internal Revenue Service have not been examined in the past. The Organization is not aware of any uncertainties that could jeopardize its not-for-profit status. Therefore, no provision or liability for income taxes is deemed necessary.

RCMA follows the provisions of uncertain tax positions addressed by FAS ASC 740-10 *Accounting for Uncertainty in Income Taxes*. RCMA has no uncertain tax positions at June 30, 2018, for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense, if applicable. RCMA has determined that no amount is required to be accrued for taxes or related penalties and interest for any tax position taken through June 30, 2018.

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Notes to Financial Statements
June 30, 2018 and 2017

Note 3 Property and Equipment

Property and equipment comprise the following:

	June 30,		Useful Life (Years)
	<u>2018</u>	<u>2017</u>	
Land	\$ 2,365,077	\$ 1,873,779	
Construction in progress	-	814,751	
Building and improvements	36,065,301	32,910,432	8 to 20
Leasehold improvements	12,251,045	11,824,044	3 to 5
Modular classrooms	871,729	871,729	3 to 5
Kitchen equipment	1,277,807	1,327,809	3 to 5
Program equipment	3,714,764	3,659,276	3 to 5
Transportation equipment	4,523,854	4,750,065	3 to 5
Office equipment	1,078,506	1,358,601	3 to 5
	<u>62,148,083</u>	<u>59,390,486</u>	
Less accumulated depreciation	39,669,912	37,420,107	
	<u>\$ 22,478,171</u>	<u>\$ 21,970,379</u>	

Depreciation expense amounted to \$3,160,252 and \$2,919,522 for 2018 and 2017, respectively.

Note 4 Long-Term Debt

Long-term debt consists of the following:

	June 30,	
	<u>2018</u>	<u>2017</u>
Bonds payable (1)	\$ 2,225,000	\$ 2,420,000
Line of credit converted to term note (2)	1,840,872	1,882,774
Mortgage payable (3)	715,404	786,351
Variable rate term loan (4)	1,336,368	-
	<u>6,117,644</u>	<u>5,089,125</u>
Less current portion (inclusive of sinking bonds requirements)	385,808	313,880
	<u>\$ 5,731,836</u>	<u>\$ 4,775,245</u>

Note 4 Long-Term Debt (continued)

- (1) The bonds payable were originally requested for \$4,400,000 Collier County Industrial Development Authority (the Authority) 25 years, Series 2001 Bonds, for the purpose of lending RCMA the proceeds from the sale of such bonds to construct an educational and social service center in Immokalee, Florida. In this connection, RCMA entered into two simultaneous agreements: 1) a loan agreement with the Authority and 2) a letter of credit and reimbursement agreement with a bank. The agreement with the bank provided for the opening of an irrevocable direct payment letter of credit in the amount of \$4,450,630 in favor of a trustee appointed by the Authority, responsible among other things, for the collection of the amounts due from RCMA. RCMA will pay the bank .5% of the amount available under the letter of credit agreement computed as specified in the agreement. In addition, the letter of credit and reimbursement agreement provided for RCMA to set-up a sinking fund to cover the payment of the principal due on the bonds. RCMA's originally scheduled monthly payment into the sinking fund, which started on December 1, 2002 at \$7,500 a month, was to escalate each year up to \$26,250 a month in the year that the bonds were to mature (2026). However, RCMA has made advanced payments into the sinking fund, and the trustee and RCMA agreed to reduce the amount of the bonds payable and change the scheduled payments into the sinking fund. The payment schedule detailed on page 13 reflects the new sinking fund requirements for the retirement of the bonds payable. RCMA's sinking fund balance at June 30, 2018 is utilized to cover the sinking fund requirements for 2018.

Interest on the bonds is payable monthly at the market rate of the tax free bonds computed weekly as specified in the agreement. RCMA has the option to convert its variable interest rate to a fixed interest rate in which case the interest will be paid semi-annually, or to a flexible rate period.

The agreement with the bank provides for certain reporting requirements, the maintenance of a fixed charge coverage ratio, and limits RCMA additional borrowings to \$300,000 without the bank's previous written consent. The bank will retain a security interest on the building and on the sinking funds.

- (2) In 2015, the Organization obtained a \$1,914,200 line of credit to finance the construction of the Dover Child Development Center. In this connection, upon completion of the construction in 2016, the Organization procured a 30-year term loan from the United States Department of Agriculture-Rural Development, secured by the Organization's real property, to pay-off the existing line of credit. The term loan is due \$7,879 a month at 2.813% interest a year until September 2046.

Note 4 Long-Term Debt (continued)

- (3) In 2017, the Organization borrowed \$810,000 secured by the Organization’s real property to finance the construction of the South Highlands Child Development Center. The mortgage is due \$5,912 of principal a month at 3.750% interest a year until April 2021. In any event, on the last day of the Repayment Period, the Organization will repay the remaining principal balance plus any interest then due.
- (4) In 2017, the Organization borrowed \$1,400,000 to acquire the real property located at 440 Academy Drive, Mulberry, Florida. The term loan is due on a monthly incremental principal basis at a LIBOR Daily Floating Rate plus 2.50% interest a year until July 2022. Interest rate at year end amounted to 4.59%. In any event, on the last day of the Repayment Period, the Organization will repay the remaining principal balance plus any interest then due.

Maturities on long-term debt, including sinking fund requirements are as follows:

Years Ending June 30,	Sinking Fund Payments	Maturities of Long-term Debt	Total
2020	\$ 225,833	\$ 187,913	\$ 413,746
2021	238,750	693,534	932,284
2022	250,833	123,207	374,040
2023	263,750	1,071,653	1,335,403
2024	278,750	41,902	320,652
Thereafter	766,250	1,589,460	2,355,710
	<u>\$ 2,024,167</u>	<u>\$ 3,707,669</u>	<u>\$ 5,731,836</u>

Note 5 Commitments and Contingencies

Commitments

The Organization conducts a portion of its operations from leased facilities under month-to-month operating leases. Rent expense aggregated \$3,456,564 and \$3,362,849 inclusive of \$3,443,175 and \$3,323,861 of donated space for 2018 and 2017, respectively.

Contingencies

The Organization is subject to federal, state and local government audits. These audits could result in the questioning of expenditures relating to certain grants under various technical compliance provisions of the individual grants. In management’s opinion, there will be no adjustments resulting from future audits on grant periods through June 30, 2018, which will have a material effect on the financial statements.

Note 5 Commitments and Contingencies (continued)

Contingencies (continued)

In the normal course of business, the Organization may be involved in litigation and/or claims. As a general policy the Organizations defends matters in which the Organization is named as a defendant and, for losses, maintains insurance to protect against adverse judgements and/or claims that may affect the Organization. Although the adequacy of existing insurance coverage or the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability associated with any claims or litigation in which the Organization is currently involved will not materially affect the Organization's financial position or results of operations. As of the date of this report there is a claim against the Organization which is in the initial stages of litigation, therefore outcome is unforeseeable and amount, if any, undeterminable.

Credit Risk

The Organization's cash balances during the year were in excess of the federal insured limits of \$250,000. At June 30, 2018, the Organizations cash in excess of the federally insured limit approximated \$2,494,000. The Organization has not experienced losses to its cash and cash equivalents and management believe that it is not exposed to significant risks in this regard.

Self-Funded Health Insurance

On June 1, 2013, the Organization entered into an agreement with its existing health insurance carrier to fund all the medical claims of its eligible employees and administrative costs up to a maximum of \$150,000 per claim as defined in the agreement. The agreement provides, among other things, for the carrier to administer the acceptance of members and to process the payment of all acceptable medical claims from eligible participants up to the specified amount. Any claims in excess of the specified ceiling of \$150,000 are covered by a "Stop Loss Provision" under the agreement.

The Organization is now recording the cost of health benefits to its employees based on the carrier's computed estimates of such costs based on the Organization's past experience and a portion of the cost related to the "Stop Loss Provision".

The period costs are always adjusted for an estimate of the participants' medical claims incurred but not processed as of the end of each fiscal year and actual results. The Organization's cost of health benefits for participants amounted to \$5,226,377 and \$3,863,031 for the years ended June 30, 2018 and 2017, respectively, which has been included in payroll taxes and fringe benefits in the statement of functional expenses. As of June 30, 2018 and 2017 the Organization has included in accrued payroll, vacation and sick leave and other expenses and in cash set aside for future health benefits on the statement of position, a total amount of \$703,203 and \$987,166, respectively, in order to cover the unpaid claims at the end of the respective years.

Note 6 Employees' 403 (b) Thrift Plan

The Organization's Thrift Plan provides that all eligible employees may contribute up to 20% of their salary. RCMA matches employee contributions based on employee's length of employment up to 5%. In addition, RCMA has a similar defined contribution plan for the certified teachers in the charter schools (a program of RCMA) at slightly higher matching requirements. In addition, eligible employees may also contribute into a ROTH IRA which RCMA also matches. Pension plan expenses for the years ended June 30, 2018 and 2017 aggregated to \$868,313 and \$834,219 respectively.

Note 7 Matching Funds Requirement

As further explained in Note A to the financial statements, RCMA receives most of its funds from two types of contracts (performance and line item reimbursement contracts). Such contracts require that a portion of the total program cost be contributed by other sources as defined by the contract and/or regulations (matching funds).

RCMA's satisfaction of the matching requirements in such programs may be viewed as follows:

	<u>Amount</u>
Head Start – Migrant Head Start	\$ 3,036,280
Head Start and Early Head Start	2,863,706
Migrant Early Head Start CCP	425,745
Head Start and Early Head Start CCP	95,523
School Readiness	546,161
Child Care Executive Partnership	<u>375,564</u>
Match required	7,342,979
Eligible match submitted	<u>7,990,669</u>
Surplus match	<u><u>\$ 647,690</u></u>

Note 8 Business and Credit Concentration

RCMA's childcare business is concentrated in the rural areas of Florida and is impacted by the general economy. The demand for child care services in rural Florida and the continuous number of eligible children on waiting lists is indicative of a strong base in the business of child care centers. However, RCMA's childcare services are substantially paid for by government grants. For the year ended June 30, 2018, RCMA revenues derived from state and Federal grants approximated to \$61,200,000 or 84% of total revenues and contributions. Governmental work may be significantly impacted by budget allocations and consequently an adverse change in any of these factors could affect the Organization's operations.

Note 9 Designated For Endowment Fund

RCMA has been named the beneficiary of endowment funds held by the Community Foundation of Collier County (Collier) and administers funds held by the Community Foundation of Tampa Bay (Tampa) for the benefit of farm worker families' education. Funds from Collier County are to be used in RCMA's operations or programs (unrestricted). At June 30, 2018, the balance in such endowment amounted to \$15,525. The amount of funds received from Tampa in fiscal year 2018 but not yet disbursed is included in temporarily restricted cash in the accompanying statement of position. The funds received from the Tampa endowment funds are used by RCMA to provide scholarships to individuals from farm worker backgrounds. Recipients of scholarship funds are selected by an independent committee made up of RCMA's staff and board members. The balance remaining in the Tampa endowment at June 30, 2018 amounted to \$489,393.

Note 10 Hurricane Funding

During the current fiscal year ended June 30, 2018 the Organization received Hurricane funding to help families that experienced losses from such natural disaster in Florida. These monies have been reflected in the Statement of Activities as hurricane revenue and amounted to \$951,207.

Note 11 Subsequent Events

Subsequent events have been evaluated through October 5, 2018 which is the date the financial statements were available to be issued.

Supplementary Information

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Schedule I – Grants from Federal, State, and Local Agencies
June 30, 2018 and 2017

	Years Ended June 30,	
	2018	2017
State of Florida		
Office of Early Learning		
School Readiness		
At-risk Low Income Children	\$ 11,908,250	\$ 11,934,320
Caring for Kids	131,857	116,080
Inclusion	59,893	49,600
Child Care Executive Partnership	375,563	310,000
<i>Passed through Early Learning Coalition of Southwest Florida</i>		
Voluntary Pre – Kindergarten Education Program	1,816,826	1,980,378
U.S. Department of Education		
Title I	367,223	267,649
National School Lunch	585,579	579,450
Fruit / vegetable	25,644	23,800
E-Rate	161,668	123,171
<i>Passed through Hillsborough/Collier School Boards</i>		
Capital Outlay	107,414	198,934
State of Florida – Department of Health, Food and Nutrition Management		
Food program	3,406,580	3,442,200
Department of Health and Human Services		
Head Start	9,218,308	9,198,243
Early Head Start	7,009,354	6,941,581
Migrant Head Start	19,445,309	17,437,680
Early Head Start Child Care Partnership	4,365,313	5,612,001
Episcopal Children's Services CCP	405,131	376,485
Local School Boards		
Hendry County – Early Childhood Teen Parent	4,620	4,680
Highlands County School Board – Teen Parent	5,679	18,650
Hardee County School Board – Teen Parent	39,200	39,312
Glades County School Board	57,160	58,373
De Soto County School Board	-	32,617
Subtotals	59,496,571	58,745,204

See independent accountant's review report.

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Schedule I – Grants from Federal, State, and Local Agencies
June 30, 2018 and 2017

	Years Ended June 30,	
	<u>2018</u>	<u>2017</u>
Subtotals from previous page	59,496,571	58,745,204
Department of Health and Human Services		
<i>Passed through</i>		
Early Learning Coalition of Florida Heartland	40,457	89,854
Episcopal Children's Services	4,812	8,740
Early Learning Coalition of Pasco & Hernando Counties	45,504	16,950
Early Learning Coalition of Indian River Martin and Okeechobee County	22,052	16,507
Early Learning of Marion County	3,641	11,492
Early Learning Coalition of Miami Dade / Monroe County	25,479	682
Early Learning Coalition of Palm Beach County	49,772	26,172
Early Learning Coalition of Southwest Florida	16,439	18,712
U.S. Department of Housing and Urban Development		
Community Block Grant		
<i>Passed through</i>		
Hillsborough County	54,620	54,420
Palm Beach County	10,788	10,855
Other Local Agencies		
Children Services Council	92,679	82,366
Indian River County Childrens Service Advisory	68,822	-
Naples Children Education Foundation	536,321	527,008
The Children's Trust	150,000	50,000
Others	615,470	268,168
	<u><u>\$ 61,233,427</u></u>	<u><u>\$ 59,927,130</u></u>

See independent accountant's review report.

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Schedule II – Grants – Counties and Municipalities
Schedule III – Contributions – United Way
Schedule IV – Contributions – Other
Years Ended June 30, 2018 and 2017

Schedule II
Grants – counties and municipalities

	Years Ended June 30,	
	<u>2018</u>	<u>2017</u>
Metropolitan Dade County	<u>\$ 58,000</u>	<u>\$ 118,000</u>

Schedule III
Contributions – United Way

United Way		
– Collier County	\$ 35,875	\$ 32,500
– Indian River County	23,531	25,342
– Lee, Hendry and Glades	12,500	7,750
– Miami-Dade County	147,775	154,125
– Suncoast	181,270	200,212
– Others	496	2,835
	<u>\$ 401,447</u>	<u>\$ 422,764</u>

Schedule IV
Parent donations**

	<u>\$ 83,374</u>	<u>\$ 50,473</u>
--	------------------	------------------

**Parent donations is included in other contributions in the accompanying statement of activities

See independent accountant's review report.

Reporting Section

Independent Auditor’s 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*

Prager Metis CPAs, LLC

999 PONCE DE LEON BLVD.
SUITE 1045
CORAL GABLES, FL 33134
T 305.444.8288
F 305.444.8280
www.pragermetis.com

To the Board of Directors of
Redlands Christian Migrant Association, 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 Redlands Christian Migrant Association, Inc. (RCMA) (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RCMA’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RCMA’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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Coral Gables, Florida
October 5, 2018



October 5, 2018

To the Board of Directors
Redlands Christian Migrant Association, Inc.

Ladies and Gentlemen:

Prager Metis CPAs, LLC

999 PONCE DE LEON BLVD.
SUITE 1045
CORAL GABLES, FL 33134

T 305.444.8288
F 305.444.8280

www.pragermetis.com

We have audited the financial statements of Redlands Christian Migrant Association, Inc. for the year ended June 30, 2018, and have issued our report thereon dated October 5, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 7, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Redlands Christian Migrant Association, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were noted.





Redlands Christian Migrant Association, Inc.
October 5, 2018
Page 2

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of board of directors and management of Redlands Christian Migrant Association, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Prager Metis CPAs, LLC