

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Financial Statements and Supplementary Information
June 30, 2020

Redlands Christian Migrant Association, Inc.

(A Not-For-Profit Organization)

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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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.



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, 2020, 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 18 – 20) 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 2019 financial statements, and expressed an unmodified audit opinion on those audited financial statements in the report dated March 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 , 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. In addition, we have also issued our report dated , applicable to each major federal program and state project. Such report should be read in conjunction with the report in considering the results of our audit.

ZOMMA Group, LLP

ZOMMA Group, LLP
Coral Gables, Florida
January 25, 2021

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statements of Financial Position
June 30, 2020
(With summarized comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Combined Totals	
			2020	2019
Assets				
Current assets				
Cash and cash equivalents	\$ 3,553,853	\$ 405,151	\$ 3,959,004	\$ 2,654,068
Accounts receivable – grants	6,702,119	-	6,702,119	3,950,161
– other	3,465	-	3,465	5,380
– school boards	632,031	-	632,031	501,573
Prepaid expenses and other current assets	855,881	-	855,881	825,043
Total current assets	11,747,349	405,151	12,152,500	7,936,225
Property and equipment	11,838,894	7,465,243	19,304,137	20,446,566
Deposits and other assets				
Cash – sinking fund	930,145	-	930,145	937,968
Cash set aside for – Future health insurance claims (Note 6)	4,187,644	-	4,187,644	2,502,337
Building and utility deposits	62,018	-	62,018	66,738
Donated rental property	125,000	-	125,000	125,000
Total assets	\$ 28,891,050	\$ 7,870,394	\$ 36,761,444	\$ 32,014,834
Liabilities and net assets				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,403,387	\$ -	\$ 2,403,387	\$ 2,007,396
Accrued payroll, vacation, sick leave and other expenses	8,430,059	-	8,430,059	5,861,299
Advances from funding agencies	824,272	-	824,272	581,412
Due to IUNC (Note 11)	296,673	-	296,673	526,708
Current portion of long-term debt	936,420	-	936,420	413,746
Total current liabilities	12,890,811	-	12,890,811	9,390,561
Long-term debt, less current portion	4,390,704	-	4,390,704	5,320,701
Total liabilities	17,281,515	-	17,281,515	14,711,262
Net assets				
Board designated reserve for future health insurance claims	4,187,644	-	4,187,644	2,502,337
Other net assets	7,421,891	7,870,394	15,292,285	14,801,235
Total net assets	11,609,535	7,870,394	19,479,929	17,303,572
Total liabilities and net assets	\$ 28,891,050	\$ 7,870,394	\$ 36,761,444	\$ 32,014,834

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

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statements of Activities
Year Ended June 30, 2020
(With summarized comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Combined Totals	
			2020	2019*
Revenue and contributions				
Grants				
– federal, state and local agencies	\$ 68,742,080	\$ 1,492,858	\$ 70,234,938	\$ 63,991,285
– counties and municipalities	118,000	-	118,000	178,000
– charter schools revenues	4,622,577	86,626	4,709,203	4,619,663
Other revenue				
Child care fees	543,493	-	543,493	761,175
Rental income	240,007	-	240,007	244,290
Interest, investment and other income	135,752	-	135,752	113,975
Fund raising events	234,614	-	234,614	443,298
Hurricane revenue	48,202	-	48,202	182,431
Contributions – local				
– Agriculture	140,953	14,633	155,586	183,357
– United Way	9,700	-	9,700	17,254
– Other	399,041	-	399,041	430,348
– COVID 19	259,753	174,393	434,146	214,913
– for Charter Schools	263,171	-	263,171	-
– for Charter Schools	331,231	-	331,231	375,351
Donated space, materials and services	2,892,465	-	2,892,465	3,511,140
Net assets released from restriction	1,276,358	(1,276,358)	-	-
	<u>80,257,397</u>	<u>492,152</u>	<u>80,749,549</u>	<u>75,266,480</u>
Functional expenses				
Program services	71,172,724	-	71,172,724	68,814,649
General and administrative	7,655,292	-	7,655,292	8,185,008
Fund raising	374,524	-	374,524	338,042
	<u>79,202,540</u>	<u>-</u>	<u>79,202,540</u>	<u>77,337,699</u>
Excess (deficiency) of revenues and contributions over expenses	1,054,857	492,152	1,547,009	(2,071,219)
Other increases in net assets				
Gain on sale of assets	604,804	-	604,804	13,386
Unrealized gain on marketable securities	24,544	-	24,544	1,336
Total Other increases in net assets	<u>629,348</u>	<u>-</u>	<u>629,348</u>	<u>14,722</u>
Change in net assets	1,684,205	492,152	2,176,357	(2,056,497)
Net assets – beginning of year	<u>9,925,330</u>	<u>7,378,242</u>	<u>17,303,572</u>	<u>19,360,069</u>
Net assets – end of year	<u>\$ 11,609,535</u>	<u>\$ 7,870,394</u>	<u>\$ 19,479,929</u>	<u>\$ 17,303,572</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)
Statements of Functional Expenses
Year Ended June 30, 2020
(With summarized comparative totals for 2019)

	Programs					Total	General and Support		Combined Totals	
	Child Care Subsidized	Head Start	Food Service	Other	Charter Schools		Administrative	Fundraising	2020	2019
Personnel costs										
Salaries	\$ 8,907,909	\$ 26,556,032	\$ 1,278,160	\$ 232,509	\$ 4,436,805	\$ 41,411,415	\$ 3,373,709	\$ 190,883	\$ 44,976,007	\$ 42,359,906
Payroll taxes and fringe benefits	2,050,634	6,642,276	378,093	54,416	1,046,959	10,172,378	738,174	33,628	10,944,180	11,104,655
Total personnel costs	10,958,543	33,198,308	1,656,253	286,925	5,483,764	51,583,793	4,111,883	224,511	55,920,187	53,464,561
Contracted services										
Child care services	892,988	841,678	100,136	-	-	1,834,802	-	-	1,834,802	1,938,409
Other	27,452	125,377	375	112,657	89,071	354,932	77,250	57,441	489,623	425,825
Food	-	-	1,295,903	-	225,414	1,521,317	-	-	1,521,317	1,716,769
Supplies *	324,129	1,373,755	67,936	110,264	193,778	2,069,862	117,738	1,096	2,188,696	2,137,181
Consumable equipment	155,681	1,090,799	682	11,827	36,244	1,295,233	91,572	290	1,387,095	1,176,579
Transportation	99,572	380,637	100	10,755	99,268	590,332	59,219	-	649,551	719,873
Out of state travel	8,689	44,736	-	-	9,104	62,529	31,436	491	94,456	58,131
Occupancy costs	1,076,713	3,205,777	-	185,018	446,007	4,913,515	697,761	1,007	5,612,283	5,150,195
Donated space	-	2,858,189	-	-	-	2,858,189	-	-	2,858,189	3,456,134
In state travel	44,062	137,584	4,103	2,976	9,261	197,986	63,048	10,132	271,166	394,471
Health services	6,355	79,784	-	-	92,296	178,435	52,163	-	230,598	235,152
Interest	-	-	-	-	-	-	162,550	-	162,550	189,728
Conferences and workshops	192,184	431,260	2,218	7,256	110,116	743,034	74,089	2,473	819,596	942,038
Direct costs of fundraising events	-	-	-	-	-	-	-	68,311	68,311	140,083
Scholarships	-	-	-	26,000	-	26,000	-	-	26,000	20,000
Other expenses	73,704	266,418	150	48,590	351,407	740,269	375,133	8,551	1,123,953	1,106,039
Professional fees	-	79,295	-	-	62,691	141,986	278,592	-	420,578	343,660
Repairs and maintenance	45,884	176,304	-	1,409	50,541	274,138	48,591	221	322,950	317,870
Depreciation	123,003	1,258,817	-	1,499	73,420	1,456,739	1,368,387	-	2,825,126	3,041,563
Data processing	97,369	221,862	9,818	584	-	329,633	36,521	-	366,154	359,671
Uncollected child care fees	-	-	-	-	-	-	9,359	-	9,359	3,767
Totals	\$ 14,126,328	\$ 45,770,580	\$ 3,137,674	\$ 805,760	\$ 7,332,382	\$ 71,172,724	\$ 7,655,292	\$ 374,524	\$ 79,202,540	\$ 77,337,699

* Includes \$34,276 of donated supplies.

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

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statements of Cash Flows
Year Ended June 30, 2020
(With summarized comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Combined Totals	
			2020	2019
Cash flows from operating activities				
Cash received from grantors and revenues	\$ 74,711,538	\$ 492,154	\$ 75,203,692	\$ 71,294,662
Cash paid to suppliers and employees	(70,589,257)	-	(70,589,257)	(67,741,643)
Interest received	15,751	-	15,751	40,780
Interest paid	(162,550)	-	(162,550)	(189,728)
Net cash provided by operating activities	3,975,482	492,154	4,467,636	3,404,071
Cash flows from investing activities				
Purchase of property and equipment	(517,869)	(1,492,859)	(2,010,727)	(996,573)
Dispositon of property and equipment	932,834	-	932,834	-
Cash set aside in sinking fund	7,823	-	7,823	2,065
Net cash provided by (used in) investing activities	422,789	(1,492,859)	(1,070,070)	(994,508)
Cash flows used in financing activities				
Principal payments of long-term debt	(407,324)	-	(407,324)	(383,196)
Net increase (decrease) in cash and cash equivalents	3,990,947	(1,000,705)	2,990,242	2,026,367
Cash and cash equivalents – beginning of year	2,654,068	-	2,654,068	2,732,885
Cash set aside	(1,685,306)	-	(1,685,306)	(2,105,184)
Cash and cash equivalents – end of year	\$ 4,959,709	\$ (1,000,705)	\$ 3,959,004	\$ 2,654,068
The net change in net assets may be reconciled to net cash provided by operating activities as follows				
Net change in net assets	\$ 1,684,205	\$ 492,152	\$ 2,176,357	\$ (2,056,497)
Add back or (deduct) items which do not affect cash				
Depreciation	2,825,126	-	2,825,126	3,041,563
Unrealized gain on marketable securities	(24,544)	-	(24,544)	(1,336)
Gain on disposal of fixed assets	(604,804)	-	(604,804)	(13,386)
Add or (deduct) changes in certain assets and liabilities				
Accounts receivable	(2,880,501)	-	(2,880,501)	(268,228)
Prepaid expenses and other	(30,838)	-	(30,838)	(13,931)
Advances from funding agencies	242,860	-	242,860	(151,670)
Other assets	29,264	-	29,264	2,731
Due to IUNC	(230,035)	-	(230,035)	526,708
Accounts payable and accrued expenses	2,964,751	-	2,964,751	2,338,117
Net cash provided by operating activities	\$ 2,699,126	\$ 1,768,510	\$ 4,467,636	\$ 3,404,071

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. Wimauma Academy and Leadership Academy Schools were consolidated, and a 10 charter year was renewed to 2030. Immokalee Community School is renewing its charter in 2021 and adding 7 and 8th grade.

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 net assets with donor restrictions on the following page).

Note 2 Summary of Significant Accounting Policies (continued)

Reporting Requirements (continued)

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

Net Assets Without Donor Restrictions	Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for future health insurance claims.
Net Assets With Donor Restrictions	Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization's net assets with donor restrictions include cash for Scholarships, Charter Schools and Immokalee Unmet Needs Coalition.

In this connection, all donor-restricted support will be reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions will be classified as net assets without donor restrictions. Therefore, support that is restricted by the donor will be reported as an increase in net assets without donor restrictions 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 net assets without donor restrictions.

However, certain transactions in the **type "B" programs** are recorded in the net assets with donor restrictions 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 net assets with donor restrictions column with any other restricted contribution received during the year. The depreciation in all type B programs represents a reduction on the net assets with donor restrictions 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, 2019, 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 net assets without donor restrictions. 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 net assets without donor restrictions 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 net assets with donor restrictions. The annual depreciation charge on those assets is reflected as net assets released from net assets with donor restrictions. 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.

Impairment

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, 2020.

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 net assets without donor restrictions.

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 \$40,000 and \$38,000 in 2020 and 2019, 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, 2020, 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, 2020.

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Notes to Financial Statements

Note 3 Liquidity and Availability

Financials assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,741,497	\$ 5,009,364
Accounts receivable – grants	6,702,119	3,950,161
– other	3,465	5,380
– school boards	632,031	501,573
Current assets	855,881	825,043
Less: board designated for specific purposes	<u>(4,187,644)</u>	<u>(2,502,337)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 11,747,349</u></u>	 <u><u>\$ 7,789,184</u></u>

The board designated funds of \$4,187,644 and \$2,502,337 as of June 30, 2020 and 2019, respectively, is designated for specific purposes as described in Note 6. Although the Organization does not intend to spend from this board designated fund (other than amounts appropriated for expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available if necessary.

Note 4 Property and Equipment

Property and equipment comprise the following:

	<u>June 30,</u>		Useful
	<u>2020</u>	<u>2019</u>	Life
			(Years)
Land	\$ 2,015,749	\$ 2,343,778	
Construction in progress	436,348	351,023	
Building and improvements	36,129,954	36,065,301	8 to 20
Leasehold improvements	13,123,201	12,594,471	3 to 5
Modular classrooms	871,729	871,729	3 to 5
Kitchen equipment	1,268,604	1,301,313	3 to 5
Program equipment	3,721,358	3,860,262	3 to 5
Transportation equipment	5,046,098	4,205,134	3 to 5
Office equipment	856,274	1,024,327	3 to 5
	<u>63,469,315</u>	<u>62,617,338</u>	
Less accumulated depreciation	<u>44,165,178</u>	<u>42,170,772</u>	
	<u><u>\$ 19,304,137</u></u>	<u><u>\$ 20,446,566</u></u>	

Depreciation expense amounted to \$2,825,126 and \$3,041,563 for 2020 and 2019, respectively.

Note 5 Long-Term Debt

Long-term debt consists of the following:

	June 30,	
	<u>2020</u>	<u>2019</u>
Bonds payable (1)	\$ 1,800,000	\$ 2,020,000
Line of credit converted to term note (2)	1,757,068	1,798,970
Mortgage payable (3)	577,646	648,003
Variable rate term loan (4)	<u>1,192,410</u>	<u>1,267,474</u>
	<u>5,327,124</u>	<u>5,734,447</u>
Less current portion (inclusive of sinking bonds requirements)	<u>936,420</u>	<u>413,746</u>
	<u>\$ 4,390,704</u>	<u>\$ 5,320,701</u>

- (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 above reflects the new sinking fund requirements for the retirement of the bonds payable. RCMA's sinking fund balance at June 30, 2020 is utilized to cover the sinking fund requirements for 2020.

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.

Redlands Christian Migrant Association, Inc.

(A Not-For-Profit Organization)

Notes to Financial Statements

Note 5 Long-Term Debt (continued)

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. As of year-end, the Organization is not in compliance with its restrictive covenants. The bank has issued a waiver for these restrictive covenants.

- (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 \$6,853 a month at 2.813% interest a year until September 2046.
- (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 4.92% interest a year until August 2028. 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 4.90%. In any event, on the last day of the Repayment Period, the Organization will repay the remaining principal balance plus any interest then due. As of year-end, the Organization is in compliance with its restrictive covenants.

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

<u>Years Ending June 30,</u>	<u>Sinking Fund Payments</u>	<u>Maturities of Long-term Debt</u>	<u>Total</u>
2021	\$ 250,833	\$ 123,207	\$ 374,040
2022	263,750	1,074,884	1,338,634
2023	278,750	41,902	320,652
2024	293,750	41,902	335,652
2025	308,750	41,902	350,652
Thereafter	165,417	1,505,657	1,671,074
	<u>\$ 1,561,250</u>	<u>\$ 2,829,454</u>	<u>\$ 4,390,704</u>

Note 6 Commitments and Contingencies

Commitments

The Organization conducts a portion of its operations from leased facilities under month-to-month operating leases. Rent expense aggregated to \$2,898,537 and \$3,477,010 inclusive of \$2,858,189 and \$3,456,134 of donated space for 2020 and 2019, 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, 2020, which will have a material effect on the financial statements.

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, 2020, the Organization's cash in excess of the federally insured limit approximated \$6,000,000. 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".

Note 6 Commitments and Contingencies (continued)

Self-Funded Health Insurance (continued)

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 \$4,361,959 and \$4,978,082 for the years ended June 30, 2020 and 2019, respectively, which has been included in payroll taxes and fringe benefits in the statement of functional expenses. As of June 30, 2020 and 2019 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 \$4,187,644 and \$2,502,337, respectively, in order to cover the unpaid claims at the end of the respective years. Such amount has been calculated based on actuarial estimates provided by BKS Partners up to fiscal year 2021, therefore recorded as current.

Note 7 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, 2020 and 2019 aggregated to \$1,052,177 and \$971,208, respectively.

Note 8 Matching Funds Requirement

As further explained in Note 2 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). For the year ended June 30, 2020, the Organization did not meet the match for Head Start and Early Head Start. The Organization applied for a waiver from the funding agency and expects approval by the end of the contract year. Based on documentation submitted to the funding agency, RCMA has been granted approval of non-federal share waivers in the past years.

Note 8 Matching Funds Requirement (continued)

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

	<u>Amount</u>
Head Start – Migrant Head Start	\$ 1,584,787
Head Start and Early Head Start	4,759,703
Migrant Early Head Start CCP	444,100
Early Head Start Expansion	417,250
Early/Migrant Head Start Expansion	108,597
School Readiness	400,697
Child Care Executive Partnership	<u>331,998</u>
Match required	8,047,132
Eligible match submitted	<u>6,173,937</u>
Deficient match	<u><u>\$ (1,873,195)</u></u>

Note 9 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, 2020, RCMA revenues derived from state and federal grants approximated to \$70,000,000 or 86% 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 10 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 (net assets without donor restrictions). At June 30, 2020, the balance in such endowment amounted to \$15,492. The amount of funds received from Tampa in fiscal year 2020 but not yet disbursed is included in cash with donor restrictions 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, 2020 amounted to \$459,784.

Note 11 Hurricane Funding

As of June 30, 2020 and 2019 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 \$48,202 and \$182,431, respectively. In addition, the Organization entered into an agreement to disburse hurricane funds, as a pass-thru entity, on behalf of another Organization (IUNC). The undisbursed funds of \$296,673 and \$526,708 has been reflected as a Due to IUNC in the Statement of Position as of June 30, 2020 and 2019, respectively. \$680,328 and \$989,260 were the total pass-thru funds as of June 30, 2020 and 2019, respectively.

Note 12 Funding Agency Uncertainty

In July 2018, the State of Florida's Office of Early Learning (OEL) upgraded their software system which lacked critical functionality in order for RCMA to properly process School Readiness and VPK reimbursements. RCMA was not able to report eligible participants through the system for the entire fiscal year. This caused RCMA to implement new procedures to substitute for the reporting required under such software. Although OEL did not instruct any of the Organizations receiving funding from them as to what procedures to use, they suggested that they implement safeguards to make sure that the reporting of eligible participants was accurately accounted for. Management feels that the safeguards implemented will not generate significant discrepancies once the software system is functioning. In this connection, management is of the opinion that any under/over statements on their part should not be recognized as a liability or receivable as the probable outcome cannot be estimated. The functional issues of OEL's system have not been corrected as of the date of this report.

Note 13 COVID Uncertainty

The effect of the COVID-19 virus has been felt worldwide and has caused disruption in financial markets. Government put in place certain programs to benefit businesses during these difficult times. RCMA applied and obtained \$223,605 through the OEL under their School Readiness contract. The Center intends to use the funds for payroll costs and other qualifying expenses as directed by the OEL.

Note 14 Subsequent Events

Subsequent events have been evaluated through January 25, 2021, 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
Years Ended June 30, 2020 and 2019

	Years Ended June 30,	
	2020	2019
State of Florida		
Office of Early Learning		
School Readiness		
At-risk Low Income Children	\$ 14,171,569	\$ 12,760,662
Caring for Kids	106,590	135,577
Inclusion	67,798	61,846
Match	342,540	432,923
COVID 19	166,405	-
CARES Phase I & II	57,200	-
 <i>Passed through Early Learning Coalition of Southwest Florida</i>		
Voluntary Pre – Kindergarten Education Program	1,731,660	1,771,594
 U.S. Department of Education		
Title I	441,252	392,788
National School Lunch	694,008	624,844
Fruit / vegetable	17,740	23,450
E-Rate	110,186	109,176
 <i>Passed through Hillsborough/Collier School Boards</i>		
Capital Outlay	371,067	480,152
 State of Florida – Department of Health, Food and Nutrition Management		
Food program	3,208,450	3,592,602
 Department of Health and Human Services		
Head Start	9,932,705	9,488,716
Head Start Disaster Assistance	173,963	-
Early Head Start	11,873,373	7,583,709
Early Head Start Child Care Partnership	4,216,231	3,884,321
Migrant Head Start	20,852,764	20,840,665
 Local School Boards		
Hendry County – Early Childhood Teen Parent	2,990	-
Highlands County School Board – Teen Parent	2,351	5,158
Hardee County School Board – Teen Parent	27,776	40,768
Glades County School Board	9,130	76,547
 Subtotals	68,577,748	62,305,497

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Schedule I – Grants from Federal, State, and Local Agencies
Years Ended June 30, 2020 and 2019

	Years Ended June 30,	
	<u>2020</u>	<u>2019</u>
Subtotals from previous page	68,577,748	62,305,497
Department of Health and Human Services		
<i>Passed through</i>		
Early Learning Coalition of Florida Heartland	13,757	21,960
Episcopal Children's Services	-	1,402
Early Learning Coalition of Pasco & Hernando Counties	78,536	47,583
Early Learning Coalition of Indian River Martin and Okeechobee County	230,171	30,075
Early Learning of Marion County	7,293	4,632
Early Learning Coalition of Palm Beach County	94,462	51,702
Early Learning Coalition of Southwest Florida	2,908	8,474
U.S. Department of Housing and Urban Development		
Community Block Grant		
<i>Passed through</i>		
Hillsborough County	54,520	54,519
Palm Beach County	14,060	14,458
Other Local Agencies		
Children Services Council	178,389	183,252
Indian River County Childrens Service Advisory	151,733	52,080
Naples Children Education Foundation	480,000	480,950
The Children's Trust	102,000	100,589
Others	249,362	634,112
	<u><u>\$ 70,234,938</u></u>	<u><u>\$ 63,991,285</u></u>

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, 2020 and 2019

Schedule II
Grants – Counties and Municipalities

	Years Ended June 30,	
	<u>2020</u>	<u>2019</u>
Metropolitan Dade County	<u>\$ 118,000</u>	<u>\$ 178,000</u>

Schedule III
Contributions – United Way

United Way		
– Collier County	\$ 43,025	\$ 50,125
– Indian River County	22,182	25,758
– Lee, Hendry and Glades	16,441	18,250
– Miami-Dade County	147,983	147,997
– Suncoast	131,317	188,177
– Central Florida	22,800	-
– Others	15,295	41
	<u>\$ 399,041</u>	<u>\$ 430,348</u>

Schedule IV
Contributions – Others

Parent donations**	\$ -	\$ 1,381
Center donations**	80,433	68,569
	<u>\$ 80,433</u>	<u>\$ 69,950</u>

**Donations are included in other contributions in the accompanying statement of activities

Reporting Section



ZOMMA GROUP
CPAs AND CONSULTANTS

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*

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2021.

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.

ZOMMA Group, LLP

ZOMMA Group, LLP
Coral Gables, Florida
January 25, 2021