

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Financial Statements and Supplementary Information
June 30, 2021

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, 2021, 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.

ZOMMA Group, LLP

355 Alhambra Circle, Suite 1100, Coral Gables, Florida 33134

P: 305.444.8288 **F:** 305.444-8280

www.zommagroup.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, 2021, 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 20 – 22) 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 2020 financial statements, and expressed an unmodified audit opinion on those audited financial statements in the report dated January 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 January 4, 2022, 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 January 4, 2022, 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 4, 2022

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statements of Financial Position
June 30, 2021
(With summarized comparative totals for 2020)

	Without Donor	With Donor	Combined Totals	
	Restrictions	Restrictions	2021	2020
Assets				
Current assets				
Cash and cash equivalents	\$ 5,381,314	\$ 768,686	\$ 6,150,000	\$ 3,959,004
Accounts receivable – grants	6,563,820	-	6,563,820	6,702,119
– other	-	-	-	3,465
– school boards	387,738	-	387,738	632,031
Prepaid expenses and other current assets	422,965	-	422,965	855,881
Total current assets	12,755,837	768,686	13,524,523	12,152,500
Property and equipment, net	10,880,194	9,394,165	20,274,359	19,304,137
Deposits and other assets				
Cash – sinking fund	935,546	-	935,546	930,145
Cash set aside for – Future health and workers' compensation insurance claims (Note 6)	4,491,402	-	4,491,402	4,187,644
Building and utility deposits	60,192	-	60,192	62,018
Donated rental property	125,000	-	125,000	125,000
Total assets	\$ 29,248,171	\$ 10,162,851	\$ 39,411,022	\$ 36,761,444
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,391,329	\$ -	\$ 2,391,329	\$ 2,403,387
Accrued payroll, vacation, sick leave and other expenses	8,610,635	-	8,610,635	8,430,059
Advances from funding agencies	1,149,140	-	1,149,140	824,272
Due to IUNC (Note 11)	207,152	-	207,152	296,673
Current portion of long-term debt	444,987	-	444,987	936,420
Total current liabilities	12,803,243	-	12,803,243	12,890,811
Long-term debt, less current portion	4,461,776	-	4,461,776	4,390,704
Total liabilities	17,265,019	-	17,265,019	17,281,515
Net assets				
Board designated reserve for future health insurance claims	4,491,402	-	4,491,402	4,187,644
Other net assets	7,491,750	10,162,851	17,654,601	15,292,285
Total net assets	11,983,152	10,162,851	22,146,003	19,479,929
Total liabilities and net assets	\$ 29,248,171	\$ 10,162,851	\$ 39,411,022	\$ 36,761,444

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

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Statements of Activities
For The Year Ended June 30, 2021
(With summarized comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Combined Totals	
			2021	2020*
Revenue and contributions				
Grants				
– federal, state and local agencies	\$ 69,495,668	\$ 3,174,848	\$ 72,670,516	\$ 70,234,938
– counties and municipalities	289,075	-	289,075	118,000
– charter schools revenues	4,352,300	452,910	4,805,210	4,709,203
Other revenue				
Child care fees	181,272	-	181,272	543,493
Rental income	298,945	-	298,945	240,007
Interest, investment and other income	135,290	-	135,290	135,752
Fund raising events	414,893	-	414,893	234,614
Hurricane revenue	-	-	-	48,202
Contributions – local				
– Agriculture	261,149	9,005	270,154	155,586
– United Way	5,100	-	5,100	9,700
– Other	472,049	-	472,049	399,041
– COVID 19	189,889	-	189,889	434,146
– for Charter Schools	509,631	-	509,631	263,171
– for Charter Schools	338,234	-	338,234	331,231
Donated space, materials and services	2,918,554	-	2,918,554	2,892,465
Net assets released from restriction	1,344,306	(1,344,306)	-	-
	<u>81,206,355</u>	<u>2,292,457</u>	<u>83,498,812</u>	<u>80,749,549</u>
Functional expenses				
Program services	73,058,137	-	73,058,137	71,172,724
General and administrative	7,470,964	-	7,470,964	7,655,292
Fund raising	405,095	-	405,095	374,524
	<u>80,934,196</u>	<u>-</u>	<u>80,934,196</u>	<u>79,202,540</u>
Excess of revenues and contributions over expenses	272,159	2,292,457	2,564,616	1,547,009
Other increases in net assets				
Gain on sale of assets	-	-	-	604,804
Unrealized gain on marketable securities	101,458	-	101,458	24,544
Total other increases in net assets	<u>101,458</u>	<u>-</u>	<u>101,458</u>	<u>629,348</u>
Change in net assets	373,617	2,292,457	2,666,074	2,176,357
Net assets – beginning of year	<u>11,609,535</u>	<u>7,870,394</u>	<u>19,479,929</u>	<u>17,303,572</u>
Net assets – end of year	<u>\$ 11,983,152</u>	<u>\$ 10,162,851</u>	<u>\$ 22,146,003</u>	<u>\$ 19,479,929</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
For The Year Ended June 30, 2021
(With summarized comparative totals for 2020)

	Programs					Total	General and Support		Combined Totals	
	Child Care Subsidized	Head Start	Food Service	Other	Charter Schools		Administrative	Fundraising	2021	2020
Personnel costs										
Salaries	\$ 8,942,940	\$ 27,901,513	\$ 916,141	\$ 327,237	\$ 4,586,149	\$ 42,673,980	\$ 3,409,215	\$ 186,010	\$ 46,269,205	\$ 44,976,007
Payroll taxes and fringe benefits	1,940,842	7,008,860	201,339	65,492	1,094,372	10,310,905	737,660	38,817	11,087,382	10,944,180
Total personnel costs	<u>10,883,782</u>	<u>34,910,373</u>	<u>1,117,480</u>	<u>392,729</u>	<u>5,680,521</u>	<u>52,984,885</u>	<u>4,146,875</u>	<u>224,827</u>	<u>57,356,587</u>	<u>55,920,187</u>
Contracted services										
Child care services	708,327	535,050	42,214	-	-	1,285,591	-	-	1,285,591	1,834,802
Other	42,660	190,578	-	63,726	111,562	408,526	247,711	53,183	709,420	489,622
Food	-	-	1,178,151	-	322,990	1,501,141	-	-	1,501,141	1,521,317
Supplies *	285,490	1,432,247	119,328	130,645	273,271	2,240,981	123,071	3,263	2,367,315	2,188,695
Consumable equipment	121,840	733,308	1,442	384,941	161,853	1,403,384	86,647	877	1,490,908	1,387,095
Transportation	61,849	349,600	-	8,740	76,130	496,319	42,242	655	539,216	649,552
Out of state travel	-	-	-	-	-	-	162	-	162	94,456
Occupancy costs	947,325	3,541,821	-	240,720	441,037	5,170,903	661,853	776	5,833,532	5,612,283
Donated space	-	2,902,809	-	-	-	2,902,809	-	-	2,902,809	2,858,189
In state travel	8,965	54,146	(22)	38	5,112	68,239	23,356	4,848	96,443	271,167
Health services	7,244	73,430	-	-	95,905	176,579	24,010	-	200,589	230,598
Interest	-	-	-	-	-	-	117,435	-	117,435	162,550
Conferences and workshops	86,264	330,233	211	30,427	90,232	537,367	56,361	5,110	598,838	819,596
Direct costs of fundraising events	-	-	-	-	-	-	-	82,830	82,830	68,311
Scholarships	-	-	-	28,000	-	28,000	-	-	28,000	26,000
Other expenses	72,367	252,112	525	109,642	349,093	783,739	444,151	28,607	1,256,497	1,123,953
Professional fees	-	929,839	-	123	50,000	979,962	240,500	-	1,220,462	420,578
Repairs and maintenance	66,081	203,161	-	1,339	48,392	318,973	63,475	119	382,567	322,950
Depreciation	103,794	1,245,926	-	9,879	74,669	1,434,268	1,162,747	-	2,597,015	2,825,126
Data processing	91,648	234,415	9,820	588	-	336,471	29,929	-	366,400	366,154
Uncollected child care fees	-	-	-	-	-	-	439	-	439	9,359
Totals	<u>\$ 13,487,636</u>	<u>\$ 47,919,048</u>	<u>\$ 2,469,149</u>	<u>\$ 1,401,537</u>	<u>\$ 7,780,767</u>	<u>\$ 73,058,137</u>	<u>\$ 7,470,964</u>	<u>\$ 405,095</u>	<u>\$ 80,934,196</u>	<u>\$ 79,202,540</u>

* 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
For The Year Ended June 30, 2021
(With summarized comparative totals for 2020)

	Without Donor	With Donor	Combined Totals	
	Restrictions	Restrictions	2021	2020
Cash flows from operating activities				
Cash received from grantors and revenues	\$ 77,625,190	\$ 3,636,763	\$ 81,261,953	\$ 75,203,692
Cash paid to suppliers and employees	(74,685,970)	-	(74,685,970)	(70,589,257)
Interest received	29,230	-	29,230	15,751
Interest paid	(117,435)	-	(117,435)	(162,550)
Net cash provided by operating activities	2,851,015	3,636,763	6,487,778	4,467,636
Cash flows from investing activities				
Purchase of property and equipment	(392,414)	(3,174,848)	(3,567,262)	(2,010,727)
Dispositon of property and equipment	-	-	-	932,834
Cash set aside in sinking fund	(5,401)	-	(5,401)	7,823
Net cash used in investing activities	(397,815)	(3,174,848)	(3,572,663)	(1,070,070)
Cash flows used in financing activities				
Principal payments of long-term debt	(420,361)	-	(420,361)	(407,324)
Net increase in cash and cash equivalents	2,032,839	461,915	2,494,754	2,990,242
Cash and cash equivalents – beginning of year	3,959,004	-	3,959,004	2,654,068
Change in cash set aside	(303,758)	-	(303,758)	(1,685,306)
Cash and cash equivalents – end of year	\$ 5,688,085	\$ 461,915	\$ 6,150,000	\$ 3,959,004
The net change in net assets may be reconciled to net cash provided by operating activities as follows				
Net change in net assets	\$ 373,617	\$ 2,292,457	\$ 2,666,074	\$ 2,176,357
Add back or (deduct) items which do not affect cash				
Depreciation	2,597,015	-	2,597,015	2,825,126
Unrealized gain on marketable securities	(101,483)	-	(101,483)	(24,544)
Gain on disposal of fixed assets	-	-	-	(604,804)
Revenue released from restriction	(1,344,306)	1,344,306	-	-
Add or (deduct) changes in certain assets and liabilities				
Accounts receivable	386,057	-	386,057	(2,880,501)
Prepaid expenses and other	432,941	-	432,941	(30,838)
Advances from funding agencies	324,868	-	324,868	242,860
Other assets	103,309	-	103,309	29,264
Due to IUNC	(89,521)	-	(89,521)	(230,035)
Accounts payable and accrued expenses	168,518	-	168,518	2,964,751
Net cash provided by operating activities	\$ 2,851,015	\$ 3,636,763	\$ 6,487,778	\$ 4,467,636

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 now operating under the name of RCMA Wimauma Community Academy, and a 10 charter year was renewed to 2030. RCMA's Collier County charter school recently underwent a name change after the renewal of the five-year charter contract with the Collier County Public School Board. The former Immokalee Community School has been rechristened Immokalee Community Academy (ICA) and approved to serve the community as a K-8th grade school as of July 1, 2021.

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.

Note 2 Summary of Significant Accounting Policies (continued)

Reporting Requirements (continued)

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).

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.
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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.
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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.

Note 2 Summary of Significant Accounting Policies (continued)

Reporting Requirements (continued)

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.

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, 2020, 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.

Note 2 Summary of Significant Accounting Policies (continued)

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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2021.

Grants Revenue and Revenue Recognition

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Organization adopted the standard as of July 1, 2020. There was no impact to net assets or changes in net assets.

Note 2 Summary of Significant Accounting Policies (continued)

Grants Revenue and Revenue Recognition (continued)

Federal and state contracts and grants are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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 \$37,000 and \$40,000 in 2021 and 2020, 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, 2021, 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, 2021.

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-profit companies for fiscal years beginning after December 15, 2022, with early adoption permitted. The Organization will implement the new changes, if applicable, for the year ended June 30, 2024.

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:

	2021	2020
Cash and cash equivalents	\$ 9,872,716	\$ 7,741,497
Accounts receivable – grants	6,563,820	6,702,119
– other	-	3,465
– school boards	387,738	632,031
Prepaid expenses and other current assets	422,965	855,881
Less: board designated for specific purposes	(4,491,402)	(4,187,644)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,755,837	\$ 11,747,349

The board designated funds of \$4,491,402 and \$4,187,644 as of June 30, 2021 and 2020, 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 as of:

	June 30,		Useful Life (Years)
	2021	2020	
Land	\$ 2,015,749	\$ 2,015,749	
Construction in progress*	2,381,923	436,348	
Building and improvements	36,129,954	36,129,954	8 to 20
Leasehold improvements	13,929,823	13,123,201	3 to 5
Modular classrooms	871,729	871,729	3 to 5
Kitchen equipment	1,318,106	1,268,604	3 to 5
Program equipment	3,890,534	3,721,358	3 to 5
Transportation equipment	5,481,656	5,046,098	3 to 5
Office equipment	843,812	856,274	3 to 5
	66,863,286	63,469,315	
Less accumulated depreciation	46,588,927	44,165,178	
	\$ 20,274,359	\$ 19,304,137	

*includes \$669,155 of capitalized architectural fees including soft-costs related to two early stage HUB projects

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

Note 4 Property and Equipment (continued)

Depreciation expense amounted to \$2,597,015 and \$2,825,126 for 2021 and 2020, respectively.

Note 5 Long-Term Debt

Long-term debt consists of the following:

	June 30,	
	2021	2020
Bonds payable (1)	\$ 1,570,000	\$ 1,800,000
Line of credit converted to term note (2)	1,715,166	1,757,068
Mortgage payable (3)	507,288	577,646
Variable rate term loan (4)	1,114,309	1,192,410
	4,906,763	5,327,124
Less current portion (inclusive of sinking bonds requirements)	444,987	936,420
	\$ 4,461,776	\$ 4,390,704

(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 14 reflects the new sinking fund requirements for the retirement of the bonds payable. RCMA's sinking fund balance at June 30, 2021 is utilized to cover the sinking fund requirements for 2021.

Note 5 Long-Term Debt (continued)

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. As of year-end, the Organization is not in compliance with its restrictive covenants. RCMA will submit a waiver request for these restrictive covenants which is expected to be accepted.

- (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 2.81% 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 2.76%. 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.

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

Note 5 Long-Term Debt (continued)

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
2022	\$ 263,750	\$ 1,145,853	\$ 1,409,603
2023	278,750	112,849	391,599
2024	293,750	112,849	406,599
2025	308,750	112,849	421,599
2026	174,167	112,849	287,016
Thereafter		1,545,360	1,545,360
	<u>\$ 1,319,167</u>	<u>\$ 3,142,609</u>	<u>\$ 4,461,776</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 \$2,928,168 and \$2,964,789 inclusive of \$2,902,809 and \$2,858,189 of donated space for 2021 and 2020, 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, 2021, 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.

Note 6 Commitments and Contingencies (continued)

Credit Risk

The Organization's cash balances during the year were in excess of the federal insured limits of \$250,000. At June 30, 2021, the Organization's cash in excess of the federally insured limit approximated \$5,640,000. 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 \$4,339,508 and \$4,361,959 for the years ended June 30, 2021 and 2020, respectively, which has been included in payroll taxes and fringe benefits in the statement of functional expenses. As of June 30, 2021 and 2020 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 \$4,373,636 and \$4,187,644, 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 2022, therefore recorded as current.

Self-Funded Workers' Compensation Insurance

In August 2019, the Organization entered into an insurance contract with PMA Companies to protect the Organization against all Workers' Compensation claims. This insurance policy is a retro adjustment policy. The policy premiums are estimated at the start of the policy year based on average incurred losses and payroll. At the end of the policy period, a payroll audit is conducted and the insurance premium is adjusted up or down as compared to the estimated premium. Six months after the policy year ends, the incurred losses are totaled and again the premium is adjusted up or down as compared to the estimated incurred losses in the original policy premium calculation (retro adjustment). The Organization pays the estimated premium and records the expense based on actual payroll activity. Under this plan, the Organization's cost of workers compensation insurance, based on estimated premium, amounted to \$489,331 and \$588,480 for the years ended June 30, 2021 and 2020, respectively, which has been included in payroll taxes and fringe benefits in the statement of functional expenses.

Note 6 Commitments and Contingencies (continued)

Self-Funded Workers' Compensation Insurance (continued)

As of June 30, 2021 the Organization has included in accrued payroll, vacation and sick leave and other expenses and in cash set aside for future health and workers compensation insurance claims a total of \$117,766 to reserve for any unpaid claims at the end of the year. Any future retro adjustments will added or deducted from the reserve amount at the end of the policy year to continue paying for premiums.

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, 2021 and 2020 aggregated to \$1,141,303 and \$1,052,177, 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, 2021, 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.

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

	Amount
Head Start – Migrant Head Start	\$ 1,133,050
Head Start and Early Head Start	3,115,011
Migrant Early Head Start CCP	444,100
Early Head Start Expansion	92,451
Early/Migrant Head Start Expansion	108,597
School Readiness	475,157
Child Care Executive Partnership	257,038
Match required	5,625,404
Eligible match submitted	5,070,609
Deficient match	\$ (554,795)

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, 2021, RCMA revenues derived from state and federal grants approximated to \$73,000,000 or 87% 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, 2021, the balance in such endowment amounted to \$20,106. The amount of funds received from Tampa in fiscal year 2021 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, 2021 amounted to \$569,638.

Note 11 Hurricane Funding

As of June 30, 2021 and 2020 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 \$0 and \$48,202, 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 \$207,152 and \$296,673 has been reflected as a Due to IUNC in the statement of position as of June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, \$536,065 and \$680,328 were the total pass-thru funds, respectively.

Note 12 Funding Agency Uncertainty

In July 2018, the State of Florida's Division of Early Learning (DEL) 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 DEL 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 DEL's system have 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 \$120,000 through the DEL under their School Readiness contract, \$1,166,594 through the Department of Health and Human Services under their Head Start contracts, \$260,000 through Hillsborough County, \$383,546 through Department of Treasury under their Collier County contract, and \$442,545 through other smaller funders. The Center intends to use the funds for payroll costs and other qualifying expenses as directed by the funders.

Note 14 Subsequent Events

Subsequent events have been evaluated through January 4, 2022 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
For The Years Ended June 30, 2021 and 2020

	June 30,	
	2021	2020
State of Florida		
Division of Early Learning		
School Readiness		
At-risk Low Income Children	\$ 12,722,670	\$ 14,171,569
Caring for Kids	138,124	106,590
Inclusion	63,724	67,798
SR Match	257,037	342,540
COVID 19	-	166,405
CARES Phase I & II	-	57,200
CARES Phase V	120,000	-
<i>Passed through Early Learning Coalition of Southwest Florida</i>		
Voluntary Pre – Kindergarten Education Program	1,353,216	1,731,660
U.S. Department of Education		
Title I	635,206	441,252
National School Lunch	629,027	694,008
Fruit / vegetable	30,355	17,740
E-Rate	115,063	110,186
<i>Passed through Hillsborough/Collier School Boards</i>		
Capital Outlay	689,774	371,067
Hillsborough Cares	260,000	-
State of Florida – Department of Health, Food and Nutrition Management		
Food program	2,604,756	3,208,450
Department of Health and Human Services		
Head Start	9,211,682	9,932,705
Head Start Disaster Assistance	3,943,284	173,963
Head Start Cares	317,530	-
Head Start Supplemental COVID Funds	14,935	-
Head Start America Rescue Plan	128,282	-
Early Head Start	11,105,022	11,873,373
Early Head Start Child Care Partnership	4,251,678	4,216,231
Migrant Head Start	21,718,110	20,852,764
Migrant Head Start Cares	176,663	-
Migrant Head Start Supplemental COVID Funds	7,500	-
Migrant Head Start America Rescue Plan	272,423	-
Department of Treasury		
<i>Passed through Collier County</i>		
Collier Cares	383,546	-
Local School Boards		
Hendry County – Early Childhood Teen Parent	-	2,990
Highlands County School Board – Teen Parent	1,450	2,351
Hardee County School Board – Teen Parent	-	27,776
Indian River School Board – Teen Parent	350	-
Glades County School Board	-	9,130
Subtotals	71,151,406	68,577,748

Redlands Christian Migrant Association, Inc.
(A Not-For-Profit Organization)
Schedule I – Grants from Federal, State, and Local Agencies
For The Years Ended June 30, 2021 and 2020

	June 30,	
	2021	2020
Subtotals from previous page	71,151,406	68,577,748
Department of Health and Human Services		
<i>Passed through</i>		
Early Learning Coalition of Florida Heartland	19,487	13,757
Early Learning Coalition of Pasco & Hernando Counties	66,255	78,536
Early Learning Coalition of Indian River Martin and Okeechobee County	76,379	230,171
Early Learning of Marion County	2,353	7,293
Early Learning Coalition of Palm Beach County	72,152	94,462
Early Learning Coalition of Southwest Florida	2,096	2,908
U.S. Department of Housing and Urban Development		
Community Block Grant		
<i>Passed through</i>		
Hillsborough County	54,520	54,520
Palm Beach County	14,482	14,060
Other Local Agencies		
Children Services Council	183,612	178,389
Indian River County Childrens Service Advisory	117,790	151,733
Naples Children Education Foundation	442,930	480,000
The Children's Trust	102,000	102,000
Others	365,055	249,362
	<u>\$ 72,670,516</u>	<u>\$ 70,234,938</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
For The Years Ended June 30, 2021 and 2020

	June 30,	
	2021	2020
Schedule II		
Grants – Counties and Municipalities		
Metropolitan Dade County	\$ 113,485	\$ 118,000
Collier County Assistance Program	175,590	-
	\$ 289,075	\$ 118,000
 Schedule III		
Contributions – United Way		
United Way		
– Collier County	\$ 46,875	\$ 43,025
– Indian River County	23,472	22,182
– Lee, Hendry and Glades	17,644	16,441
– Miami-Dade County	148,138	147,983
– Suncoast	181,747	131,317
– Central Florida	49,429	22,800
– Others	4,744	15,295
	\$ 472,049	\$ 399,041
 Schedule IV		
Contributions – Others		
Center donations**	\$ 61,659	\$ 80,433

**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, 2021, 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 4, 2022.

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 4, 2022