



November 6, 2018

Finance/Audit Committee  
Mission Road Ministries and Affiliates  
San Antonio, Texas

We have audited the combined financial statements of Mission Road Ministries and affiliates for the year ended June 30, 2018, and we will issue our report thereon dated November 6, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 5, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mission Road Ministries and affiliates are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the allowance for doubtful accounts is based on its assessment of the current status of individual accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

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

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We have attached the adjusting journal entries posted to the books to correct the misstatements.

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*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 6, 2018.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

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

This information is intended solely for the use of management and the Boards of Directors of Mission Road Ministries and affiliates and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Sagebiel, Ravenburg & Schuh, P.C.

Mission Road Ministries and Affiliates  
**SUMMARY OF UNRECORDED MISSTATEMENTS**  
Year Ended June 30, 2018

	<b>Current Year Over (Under) Statement</b>
<b>Statement of activities misstatements:</b>	
<i>MRDC:</i>	
July 2018 IT service invoice expensed and included in June 2018 credit card payables – cutoff error	(\$ 4,905)
<b>Cumulative effect (before effect of prior year differences)</b>	(\$ 4,905)
<b>Effect of unadjusted audit differences—prior year:</b>	
<i>MRDC:</i>	
PY non-capitalizable expenses in CIP, expensed in CY	(11,893)
<b>Cumulative effect (after effect of prior year differences)</b>	(\$ 16,797)
 <b>Reclassification adjustments:</b>	
None	\$ -0-

	<b>Current Year Over (Under) Statement</b>
<b>Statement of financial position misstatements (including reclassifications):</b>	
Current assets	\$ -0-
Total assets	-0-
Current liabilities	4,905
(MRDC - Other current liabilities overstated \$4,905)	
Total liabilities	4,905
Net assets:	
Beginning	11,892
Ending	(\$4,905)

Client: **46957 - Mission Road Developmental Center**  
 Engagement: **2018 AUD - Mission Road Developmental Center**  
 Period Ending: **6/30/2018**  
 Trial Balance: **TB**  
 Workpaper:

Account	Description	Debit	Credit
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**Adjusting Journal Entries JE # 3**

PBC entry to remove MRM/Unicorn management fee true-up posted in wrong year.

2190-10	AFFILIATE PAYABLE FOR SERVICES	20,050.00	
2190-10	AFFILIATE PAYABLE FOR SERVICES	22,657.00	
3000-10	FUND BALANCE-UNRESTRICTED		20,050.00
3000-10	FUND BALANCE-UNRESTRICTED		22,657.00
<b>Total</b>		<b>42,707.00</b>	<b>42,707.00</b>

**Adjusting Journal Entries JE # 4**

PBC AJE to reclassify fee paid to public adjuster.

5350-70	PROF FEES - OTHER NON PROGRAM	6,338.00	
6950-70	LOSS(GAIN) DISP FIXED ASSETS		6,338.00
<b>Total</b>		<b>6,338.00</b>	<b>6,338.00</b>

Client: **71650 - Unicorn Centers, Inc.**  
 Engagement: **2018 AUD - Unicorn Centers, Inc.**  
 Period Ending: **6/30/2018**  
 Trial Balance: **TB**  
 Workpaper:

Account	Description	Debit	Credit
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**Adjusting Journal Entries JE # 4**  
 PBC entry to correct CIP and adjust fixed assets at June 30, 2018.

1950-70	Land Improvements	46,014.00	
1950-70	Land Improvements	675,375.00	
1951-70	Building & Improvements	1,104,737.00	
6900-70	Depreciation Expense	6,214.00	
6900-70	Depreciation Expense	12,407.00	
1800-70	CIP - Hamilton Wolfe		1,826,126.00
1960-70	Accumulated Depreciation		6,214.00
1960-70	Accumulated Depreciation		12,407.00
<b>Total</b>		<b><u>1,844,747.00</u></b>	<b><u>1,844,747.00</u></b>