

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON**

DECEMBER 31, 2017

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER**

December 31, 2017

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NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Milagro Foundation, Inc.
Delray Beach, Florida

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We have audited the accompanying financial statements of Milagro Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milagro Foundation, Inc. as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Milagro Foundation, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nowlen, Holt & Miner, P.A.

May 11, 2018
West Palm Beach, Florida

MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Comparative Totals for December 31, 2016)

	2017	2016
Assets		
Cash	\$ 215,441	\$ 125,226
Investments	119,161	111,172
Rent and tuition receivable	2,255	6,684
Contributions receivable	132,181	80,362
Grants receivable	14,940	6,946
Prepaid expense	19,095	15,018
Property and equipment, net	598,911	637,304
Other assets	<u>3,266</u>	<u>3,703</u>
Total assets	<u>\$ 1,105,250</u>	<u>\$ 986,415</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 6,560	\$ 7,673
Accrued payroll	20,078	17,476
Accrued interest	2,495	2,685
Deposits	1,000	-
Mortgage payable	<u>406,444</u>	<u>437,412</u>
Total liabilities	<u>436,577</u>	<u>465,246</u>
Net assets		
Unrestricted net assets		
Investment in property and equipment	192,467	199,892
Undesignated net assets	211,352	48,607
Temporarily restricted net assets	<u>264,854</u>	<u>272,670</u>
Total net assets	<u>668,673</u>	<u>521,169</u>
Total liabilities and net assets	<u>\$ 1,105,250</u>	<u>\$ 986,415</u>

See notes to financial statements.

MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
Support and revenue				Total
Contributions - corporate and foundation	\$ 96,000	\$ 401,923	\$ 497,923	\$ 463,585
Contributions - other	66,004	-	66,004	39,595
In-Kind contributions	82,000	-	82,000	68,359
Investment income	7,990	-	7,990	5,353
Contracts and grants	134,345	-	134,345	90,087
Tuition revenue	38,799	-	38,799	40,927
Special event revenue, net of direct expenses of \$19,961 and \$21,010	138,953	-	138,953	64,827
Rental income	8,961	-	8,961	23,509
Total public support and revenue	573,052	401,923	974,975	796,242
Net assets released from restrictions	409,739	(409,739)	-	-
Expenses				
Program services	583,333	-	583,333	616,513
Rental property	42,294	-	42,294	30,738
Supporting services:				
Management and general	149,820	-	149,820	111,603
Fundraising	52,024	-	52,024	44,346
Total expenses	827,471	-	827,471	803,200
Change in net assets	155,320	(7,816)	147,504	(6,958)
Net assets at beginning of year	248,499	272,670	521,169	528,127
Net assets at end of year	\$ 403,819	\$ 264,854	\$ 668,673	\$ 521,169

See notes to financial statements.

MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

	2017				2016
	Program Services	Management and General	Fundraising	Total	Total
Payroll and related expenses	\$ 355,104	\$ 107,018	\$ 24,322	\$ 486,444	\$ 441,592
Artist	27,761	-	-	27,761	37,503
Christmas in July	-	-	-	-	52,900
Program supplies	26,627	-	-	26,627	36,005
Other program related expenses	9,469	-	-	9,469	5,550
Background checks	2,831	-	-	2,831	1,565
Professional fees	3,455	11,555	-	15,010	15,268
Training and development	2,618	3,008	-	5,626	7,925
Occupancy costs	80,239	10,302	3,030	93,571	79,640
Office supplies	22,114	9,214	5,528	36,856	16,286
Advertising	-	-	16,255	16,255	9,705
Postage and delivery	291	145	146	582	1,411
Printing and reproduction	5,255	1,401	350	7,006	5,945
Transportation	9,293	-	-	9,293	9,985
Depreciation and amortization	25,095	4,706	1,569	31,370	33,492
Mortgage interest	13,181	2,471	824	16,476	17,690
	<u>583,333</u>	<u>149,820</u>	<u>52,024</u>	<u>785,177</u>	<u>772,462</u>
Rental property expenses					
Depreciation and amortization	11,495	-	-	11,495	11,537
Professional fees	13,830	-	-	13,830	
Occupancy costs	3,030	-	-	3,030	4,219
Mortgage interest	13,939	-	-	13,939	14,982
Total rental property expenses	<u>42,294</u>	<u>-</u>	<u>-</u>	<u>42,294</u>	<u>30,738</u>
Total expenses	<u><u>\$ 625,627</u></u>	<u><u>\$ 149,820</u></u>	<u><u>\$ 52,024</u></u>	<u><u>\$ 827,471</u></u>	<u><u>\$ 803,200</u></u>

See notes to financial statements.

MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(With Comparative Totals for December 31, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 147,504	\$ (6,958)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,865	45,029
Unrealized (gains) losses on investments	(5,143)	(2,515)
(Increase) decrease in assets:		
Contributions and grants receivable	(55,384)	2,543
Prepaid expenses	(4,077)	(2,734)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,299	3,705
Deposits	1,000	(1,800)
Net cash provided by operating activities	128,064	37,270
Cash flows from investing activities		
Acquisition of property and equipment	(4,035)	(27,660)
Sales of investments	2,605	
Purchases of investments	(2,846)	(3,573)
Net cash used by investing activities	(6,881)	(28,628)
Cash flows from financing activities		
Payments on long-term debt	(30,968)	(28,725)
Net cash used by financing activities	(30,968)	(28,725)
Net increase (decrease) in cash and cash equivalents	90,215	(20,083)
Cash and cash equivalents - beginning of year	125,226	145,309
Cash and cash equivalents - end of year	\$ 215,441	\$ 125,226
Supplemental cash flow information		
Cash paid for interest	\$ 30,605	\$ 32,757

See notes to financial statements.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 – NATURE OF BUSINESS

The Milagro Foundation, Inc., DBA the Milagro Center (the Center) is a not-for-profit corporation established in 1997 whose mission is to enrich the lives of children through cultural arts, Living Values and academic support. The Center's operations are based in Delray Beach, Florida. Our vision is to be a center of creative cultural collaboration, engaging education and inspiration that dissolves social barriers, forms lasting connections and sets the stage for future success.

The Center is designed to be a replicable model for self-sustaining, non-profit organizations that provide educational and art programs to disadvantaged children. The Center's four goals are to:

- Ensure academic success.
- Promote the arts.
- Teach inclusion and embrace diversity.
- Create strong individuals who positively impact their communities.

The Center operates four interrelated and socially inclusive programs for children relating to the visual and performing arts, leadership and mentoring. Each program incorporates values-based education endorsed by the United Nations, one-on-one academic support, and supportive intergenerational relationships. A brief description of each of the programs follows:

Standing Together Achieving Recognition and Success ("STARS") The STARS Program is a multi-faceted after-school and summer cultural arts program that is designed to improve the educational performance and artistic potential of low income children. Students receive instruction in specialized areas of literacy proficiency, science, technology and art tutorials. Participants in the program also learn essential life skills including the ability to communicate effectively, express emotions, and work as a team, which are key to their development. In addition, the program connects the Milagro families with various community social services.

Mentoring Program The Milagro Mentoring Program provides mentoring to children on both a one-on-one and group basis in conjunction with the STARS program. The program fosters nurturing, supportive intergenerational relationships that are essential in building self-esteem in children. Children are more able to adequately deal with factors that classify them as "at risk:" when they have mentors who are trained to address emotional and educational deficiencies.

ARTreach Using the existing infrastructure of the STARS Program and the Center's team of professional artists, art education is provided to disadvantaged and at-risk youth, who would otherwise not experience this culturally important aspect of life. The Organization's team also provides unique, inspirational, and engaging curriculum to other children throughout Palm Beach County through community partners, and plans to extend the program to Broward County in the future.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 – NATURE OF BUSINESS (Continued)

Teen Leadership The Center's newest program is offered to youth in the sixth through twelfth grades, offering a combination of academic support, life skills training, and healthy living skills, aimed at preparing youth to graduate from high school, as well as preparing them for college or employment. The Center believes this exciting program will have a positive impact by improving the high school graduation rate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting and in accordance with the external financial reporting requirements for not-for-profit organizations, which include three basic financial statements and the classification of resources into three separate classes of net assets.

The three net asset categories reflected in the accompanying financial statements are as follows:

Unrestricted — Net assets whose use by the Center is not subject to donor-imposed stipulations. Such assets include all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted — Net assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Center pursuant to those stipulations.

Permanently Restricted — Net assets whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or removed by actions of the Center.

Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Management's Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and, the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and comparable state law, and contributions are tax deductible within the limits prescribed by the Code. The Center has also been classified as publicly supported organization that is not a private Center under Section 509(a) of the code.

As a not-for-profit organization, the Center is generally exempt from federal and state income taxes. The Center is subject to federal and state income taxes on unrelated business income.

The Center may be obligated to pay tax on any unrelated business income. The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Center files tax returns in the U. S. Federal jurisdiction. The Center's income tax returns are not subject to examination through the year ended December 31, 2013.

Cash and Cash Equivalents

Cash and cash equivalents include checking, savings, money market accounts, and petty cash. Due to their long term nature, cash balances in the investment accounts are not considered a cash equivalent for purposes of the Statement of Cash Flows.

Grants Receivable

Grants receivable are recorded when services have been rendered and the granting authority has been billed. If events or changes in circumstances indicate that specific receivable balances may be disallowed by the granting authority, the receivable balances are written-off as an operating expense.

Long-Term Investments

Investments are carried at fair value if a reasonable estimate of fair value can be made, otherwise at cost. Realized and unrealized gains and losses are recorded in the Statement of Activities. Investment transactions are recorded on the trade date basis. Realized gains or losses on sales of securities are determined on the FIFO basis for financial statement purposes. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Contributed Services and Goods

In-kind contributions are recorded at their fair market value at the date of donation, if such value is measurable. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions to be used in the operation of the Center are recorded directly as public support.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

The fair value of contributions receivable is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give noncash assets that are expected to be received in future years are recorded at the present value of the expected fair value of the underlying noncash assets expected to be received. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Any changes in the expected fair value of underlying noncash assets are reported as increases and decreases in contribution revenue in the period the change occurs. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are recorded at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years. The Center follows the policy of capitalizing all expenditures for land, buildings and equipment in excess of \$1,000.

Advertising Costs

Advertising costs are charged to operations when incurred.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which are associated with a specific program or activity are charged directly to that program or activity. Indirect expenses are allocated to the various programs and activities based on a reasonable basis, such as the percentage of employees' time spent on functions.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions are recognized in the period an unconditional promise to give is received. Contributions receivable are recorded at net realizable value, discounted as appropriate to reflect the estimated timing of receipt for contributions due more than one year after the date of receipt. Therefore, carrying value approximates fair value. At December 31, 2017, all contributions receivable recorded were due within one year.

NOTE 4 – CONDITIONAL PROMISES TO GIVE

During 2017, the Center received a conditional promise of \$300,000. The promise to give is payable \$25,000 in 2017; \$50,000 in 2018 and 2019; and the final \$25,000 is due in 2020. Each payment is contingent on the Center meeting certain benchmarks on student performance in the previous six months.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 – INVESTMENTS

The following is a summary of the Center's investments, which are stated at fair value at December 31, 2017:

Cash, investment account sweep	\$ 6,405
Corporate bonds	29,986
Mutual funds and exchange traded funds	<u>82,770</u>
	<u><u>\$ 119,161</u></u>

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1	Unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives.
Level 2	Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ended December 31, 2017.

At December 31, 2017, all of the Center's investment were classified as Level 1.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Program	Rental	Total
Land	\$ 46,500	\$ 39,000	\$ 85,500
Buildings and improvements	444,956	337,861	782,817
Playground equipment and improvements	27,156		27,156
Office equipment	34,749		34,749
Vehicles	25,585		25,585
Furniture and fixtures	<u>45,874</u>		<u>45,874</u>
 Total property and equipment	624,820	376,861	1,001,681
Accumulated depreciation	<u>(276,005)</u>	<u>(126,765)</u>	<u>(402,770)</u>
 Net property and equipment	<u><u>\$ 348,815</u></u>	<u><u>\$ 250,096</u></u>	<u><u>\$ 598,911</u></u>

NOTE 8– MORTGAGE PAYABLE

The center financed the purchase of two buildings through a 20 year \$650,000 mortgage which is secured by the buildings, land and future rents. This note matures in February 2026 and is payable in monthly installments of \$5,131, including interest at 7.13%.

Principal payments due over the following five years, and thereafter are as follows:

2018	\$ 33,290
2019	35,778
2020	38,451
2021	41,325
2022	44,413
Thereafter	<u>213,187</u>
	<u><u>\$ 406,444</u></u>

NOTE 9– TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for future operations and \$127,297 had restrictions that they be spent in 2018 and all \$264,854 had various program restrictions.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 – CONTRIBUTED MATERIALS AND SERVICES

The Center records various types of in-kind contributions. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to equipment. For the year ending December 31, 2017 the Center received various items as follows:

Facility rent abatement	\$ 36,000
Fundraising events	2,713
Office supplies	14,086
Professional services	13,830
Program supplies	<u>15,371</u>
	<u><u>\$ 82,000</u></u>

NOTE 11 – FACILITY RENT ABATEMENT

On July 24, 2012, the Center entered into a commercial lease agreement with Colombia Hosing SLP Corp., whereby the Center would lease new premises located at 695 Auburn Avenue, Delray Beach, Florida. The term of the lease covers 120 months, and requires a monthly rent equal to seventy percent (70%) of the base rent the Center receives from leasing the property it owns at 340 SW 6th Avenue, Delray Beach, Florida. For the year ended December 31, 2017, the Center received \$36,000 as an in-kind rent donation. The maximum rental expense payable is \$3,000 a month for \$36,000 a year.

NOTE 12 – RENTAL PROPERTY

The Center leased its building located at 346 SW 6th Avenue, Delray Beach, Florida to New Horizons Academy, Inc. at a rate of \$2,000 per month for sixty months. In 2017 the lease was cancelled for non-payment and the Center is in the process of converting the property to be used for programs.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 13 – LEASE COMMITMENTS

At December 31, 2017, the center is obligated under a non-cancelable operating lease for office equipment that that expires in 2021. Future minimum lease payments are as follows:

2018	\$ 5,868
2019	5,868
2020	5,868
2021	<u>5,868</u>
	<u><u>\$ 23,472</u></u>

Rental expense for 2017 was \$5,868.

NOTE 14 – CONCENTRATION IN SUPPORT AND REVENUE

For the year ended December 31, 2017, the Center's eleven largest contributors and grantors provided forty-two percent of the organization's total support, in the prior year the largest five donors provided forty percent. Without the future continuation of such support, the Center's ability provide the current level of operations and program services would impacted.

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued new or modifications to, or interpretations of, existing accounting guidance during the year. The Center has considered the new pronouncements that altered accounting principles generally accepted in the United States of America (U.S. GAAP), and other than as disclosed below, does not believe that any other new or modified principles will have a material impact on the Center's reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard (as amended) is effective for the fiscal year ending December 31, 2019. The Center is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among Organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between the existing guidance on accounting for leases and the new standard is that operating leases will now be recorded in the statement of financial position as assets and liabilities.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Current U.S. GAAP requires only capital (finance) leases to be recognized in the statement of financial position and amounts related to operating leases largely are reflected in the financial statement of activities and changes in net assets as rent expense on the statement and in disclosures to the financial statements. The new standard is effective for the fiscal year ending December 31, 2020. The Center is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB issued Accounting Standards Update 2016-14: Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities, including net asset classification requirements and the information presented about an entity's liquidity, financial performance, and cash flows.

Key elements of the standard include:

- 1) Reducing net asset classifications from three categories to two. Reporting net assets with donor restrictions and net assets without donor restrictions.
- 2) Expanding disclosures about the nature and amount of any donor restrictions.
- 3) Expanding disclosures on any board designations of net assets without donor restrictions.
- 4) The indirect or direct method of presenting the statement of cash flows will be allowed; however, the reconciliation of operating items no longer will be required when using the direct method.
- 5) Enhanced disclosures regarding cost allocations.

The new standard is effective for the fiscal year ending December 31, 2018. The Center is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

NOTE 16 – SUBSEQUENT EVENTS

The Center has evaluated subsequent events through May 11, 2018. This date is the date the financial statements were available to be issued.