

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

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

DECEMBER 31, 2018

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

December 31, 2018

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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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the Milagro Foundation, Inc. implemented Accounting Standards Update 2016-14: Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Milagro Foundation, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nowlen, Holt & Miner, P.A.

June 10, 2019
West Palm Beach, Florida

MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Comparative Totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash	\$ 198,546	\$ 215,441
Investments	196,594	-
Tuition receivable	3,109	2,255
Contributions receivable	142,107	139,221
Grants receivable	9,275	7,900
Prepaid expenses	<u>27,427</u>	<u>19,095</u>
Total current assets	<u>577,058</u>	<u>383,912</u>
Noncurrent assets		
Investments	67,830	119,161
Property and equipment, net	795,200	598,911
Other assets	<u>2,829</u>	<u>3,266</u>
Total noncurrent assets	<u>865,859</u>	<u>721,338</u>
Total assets	<u><u>\$ 1,442,917</u></u>	<u><u>\$ 1,105,250</u></u>
Liabilities and net assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 12,027	\$ 6,560
Construction payable	196,594	-
Accrued payroll	26,726	20,078
Accrued interest	1,774	2,495
Deferred revenue	35,062	1,000
Current portion of mortgage	<u>35,778</u>	<u>33,290</u>
	<u>307,961</u>	<u>63,423</u>
Noncurrent liabilities		
Mortgage payable, less current portion	<u>337,384</u>	<u>373,154</u>
Total liabilities	<u>645,345</u>	<u>436,577</u>
Net assets		
Without donor restrictions		
Investment in property and equipment	422,038	192,467
Board designated net assets	67,830	119,161
Undesignated net assets	<u>77,857</u>	<u>92,191</u>
Total without donor restrictions	<u>567,725</u>	<u>403,819</u>
With donor restrictions	<u>229,847</u>	<u>264,854</u>
Total net assets	<u>797,572</u>	<u>668,673</u>
Total liabilities and net assets	<u><u>\$ 1,442,917</u></u>	<u><u>\$ 1,105,250</u></u>

See notes to financial statements.

MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
(With Comparative Totals for December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue				
Contributions				
Corporate and foundation	\$ 73,000	\$ 410,636	\$ 483,636	\$ 497,923
Contracts and grants	-	101,842	101,842	39,172
Fundraising and sponsorships	170,655	86,400	257,055	129,540
In-Kind contributions	109,234	-	109,234	82,000
Investment income (loss)	(4,738)	-	(4,738)	7,990
Tuition families	40,919	-	40,919	38,799
Tuition grants	86,193	-	86,193	95,173
Special event revenue, net of direct expenses of \$20,650 and \$17,328	100,862	-	100,862	75,417
Miscellaneous income	517	-	517	8,961
Total public support and revenue	576,642	598,878	1,175,520	974,975
Net assets released from restrictions	633,885	(633,885)		
Expenses				
Program services	769,372	-	769,372	583,333
Rental property	-	-	-	42,294
Supporting services:				
Management and general	202,422	-	202,422	149,820
Fundraising	74,827	-	74,827	52,024
Total expenses	1,046,621	-	1,046,621	827,471
Change in net assets	163,906	(35,007)	128,899	147,504
Net assets at beginning of year	403,819	264,854	668,673	521,169
Net assets at end of year	\$ 567,725	\$ 229,847	\$ 797,572	\$ 668,673

See notes to financial statements.

MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(With Comparative Totals for December 31, 2017)

	2018				2017
	Program Services	Management and General	Fundraising	Total	Total
Payroll and related expenses	\$ 461,945	\$ 164,981	\$ 32,996	\$ 659,922	\$ 486,444
Artist	23,229	-	-	23,229	27,761
Program supplies	27,184	-	-	27,184	26,627
Other program related expenses	70,859	-	-	70,859	9,469
Background checks	4,064	-	-	4,064	2,831
Professional fees	8,819	9,569	735	19,123	15,010
Training and development	4,462	2,493	2,493	9,448	5,626
Occupancy costs	84,248	7,489	1,872	93,609	93,571
Office supplies	11,916	5,958	5,958	23,832	36,856
Advertising	-	-	28,849	28,849	16,255
Special event direct costs	-	-	20,650	20,650	17,328
Bank fees	-	4,877	-	4,877	-
Postage and delivery	430	214	215	859	582
Printing and reproduction	5,675	1,513	378	7,566	7,006
Transportation	6,608	-	-	6,608	9,293
Depreciation and amortization	35,120	3,122	780	39,022	31,370
Mortgage interest	24,813	2,206	551	27,570	16,476
	<u>769,372</u>	<u>202,422</u>	<u>95,477</u>	<u>1,067,271</u>	<u>802,505</u>
Rental property expenses					42,294
Total expenses	<u>\$ 769,372</u>	<u>\$ 202,422</u>	<u>\$ 95,477</u>	<u>\$ 1,067,271</u>	<u>\$ 844,799</u>

See notes to financial statements.

MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(With Comparative Totals for December 31, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 128,899	\$ 147,504
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,022	42,865
Unrealized (gains) losses on investments	8,657	(5,143)
(Increase) decrease in assets:		
Contributions and grants receivable	(5,115)	(55,384)
Prepaid expenses	(8,332)	(4,077)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	207,988	1,299
Deposits	34,062	1,000
Net cash provided by operating activities	405,181	128,064
Cash flows from investing activities		
Acquisition of property and equipment	(234,874)	(4,035)
Purchases of investments	(153,920)	(2,846)
Net cash used by investing activities	(388,794)	(6,881)
Cash flows from financing activities		
Payments on long-term debt	(33,282)	(30,968)
Net cash used by financing activities	(33,282)	(30,968)
Net increase (decrease) in cash and cash equivalents	(16,895)	90,215
Cash and cash equivalents - beginning of year	215,441	125,226
Cash and cash equivalents - end of year	\$ 198,546	\$ 215,441
Supplemental cash flow information		
Cash paid for interest	\$ 28,291	\$ 32,757

See notes to financial statements.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 Center'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, 2018**

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 in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Expenses are reported as decreases in unrestricted net assets without donor restrictions.

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, 2018**

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, 2014.

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.

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, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions receivable

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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Center uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Based on this analysis, no allowance was considered necessary for the current fiscal year.

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.

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. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization, mortgage interest, and occupancy, which are allocated on a square footage basis.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 Center's financial statements for the year ended December 31, 2017, 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 – LIQUIDITY AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Center's financial assets available to meet general expenditures within one year.

Cash	\$ 198,546
Investments	264,424
Tuition receivable	3,109
Contributions receivable	142,107
Grants receivable	<u>9,275</u>
Total financial assets	617,461
Less:	
Accounts payable and accrued expenses	(237,121)
Donor imposed restrictions	(229,847)
Restrictions expected to be met within one year	139,675
Board designated investments	<u>(67,830)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 222,338</u></u>

The Center receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

At December 31, 2018, the Center's financial assets available to meet general expenditures within one year were 76 days of expected expenditures and current assets less current liabilities were 97 days of expected expenditures.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 – LIQUIDITY AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Center manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Center does not have a formal liquidity policy; however, the Finance Committee monitors the Center's liquidity monthly and if necessary, makes recommendations to the Board to increase or decrease the board designated investments. Any additions or deletions to the board designated investment account requires the approval of the Board and the funds are designated for program expansion and contingencies.

NOTE 4 – 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, 2018, all contributions receivable recorded were due within one year.

NOTE 5 – CONDITIONAL PROMISES TO GIVE

During 2017, the Center received a conditional promise of \$150,000. 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. In the fiscal year ending December 31, 2018, \$50,000 was recognized as contributions with donor restrictions.

The Center has a grant from Palm Beach County which is paid monthly based on the number of hours of program activity provided. In the fiscal year ending December 31, 2018, \$33,784 was recognized as contributions with donor restrictions and \$25,292 was remaining at year end.

The Center has a grant from the City of Delray Beach in which reimbursements are subject to the Federal Single Audit Act. In the fiscal year ending December 31, 2018, \$18,918 was recognized as contributions with donor restrictions and \$17,756 was remaining at year end.

The Center has a grant from the Palm Beach County Children Services Council in which the center is required to use a specific vendor for the program and the grant was paid in advance. In the fiscal year ending December 31, 2018, \$14,388 was recognized as contributions with donor restrictions and \$35,062 was recorded as deferred revenue.

**MILAGRO FOUNDATION, INC.
DBA MILAGRO CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 – INVESTMENTS

The following is a summary of the Center's investments, which are stated at fair value at December 31, 2018:

Cash, investment account sweep	\$ 2,027
Corporate bonds	19,831
Mutual funds and exchange traded funds	<u>242,566</u>
	<u><u>\$ 264,424</u></u>

NOTE 7 – 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, 2018.

At December 31, 2018, all of the Center's investment were classified as Level 1.

**MILAGRO FOUNDATION, INC.
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 85,500
Construction in progress	229,571
Buildings and improvements	784,120
Playground equipment and improvements	27,156
Office equipment	34,749
Vehicles	29,585
Furniture and fixtures	<u>45,874</u>
Total property and equipment	1,236,555
Accumulated depreciation	<u>(441,355)</u>
Net property and equipment	<u><u>\$ 795,200</u></u>

NOTE 9– 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:

2019	\$ 35,778
2020	38,451
2021	41,325
2022	44,413
2023	51,300
Thereafter	<u>161,895</u>
	<u><u>\$ 373,162</u></u>

**MILAGRO FOUNDATION, INC.
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10–NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, net assets with donor restrictions were as follows:

STARS program	\$ 26,580
Mentoring program	65,471
Teen leadership program	<u>137,796</u>
	<u>\$ 229,847</u>

Included in the above restrictions are time restrictions of \$80,146 that must be spent in 2019.

For the fiscal year ended December 31, 2018, net assets released from restrictions were as follows:

STARS program expenses	\$ 177,599
Mentoring program expenses	89,851
Teen leadership program expenses and capital expenditures	<u>366,435</u>
	<u>\$ 633,885</u>

NOTE 11 – IN-KIND CONTRIBUTIONS

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, 2018 the Center received various items as follows:

Facility rent abatement	\$ 36,000
Fundraising events	1,130
Office supplies	2,955
Professional services	6,474
Snacks and meals for children	47,730
Program supplies	<u>14,945</u>
	<u>\$ 109,234</u>

The professional services were architectural services relating to the renovation of the Junior Center.

Around fifty volunteers have donated approximately 2,600 hours in the Center's mentoring program. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

**MILAGRO FOUNDATION, INC.
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 – FACILITY RENT ABATEMENT

On July 24, 2012, the Center entered into a commercial lease agreement with Colombia Housing 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. In 2017 the property at 340 SW 6th Avenue was converted to program usage. For the year ended December 31, 2018, 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 13 – LEASE COMMITMENTS

At December 31, 2018, 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:

2019	\$ 5,868
2020	5,868
2021	<u>5,868</u>
	<u>\$ 17,604</u>

Rental expense for 2018 was \$5,868.

NOTE 14 – EMPLOYEE BENEFIT PLAN

In the current year the Center established a 401(k) plan. The assets are held for each employee in an individual account maintained by an investment firm. Employees over 21 with over three months of employment are eligible to join the plan and make contributions. The Center can elect to make a discretionary contribution to the plan. Employees vest in any employer contributions after three years. For the fiscal year ended December 31, 2018, the Center did not make a contribution and there were no forfeitures.

NOTE 15 – CONCENTRATION IN SUPPORT AND REVENUE

For the year ended December 31, 2018, the Center's ten largest contributors and grantors provided forty-nine percent of the Center's total support, in 2017 the eleven largest donors provided forty-two percent, and in 2016 the largest five donors provided forty percent. The increase from 2017 to 2018 was due to additional support for the Junior Center Renovation. Without the future continuation of such support, the Center's ability to provide the current level of operations and program services would be impacted.

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NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

In the current year the Center implemented Accounting Standards Update 2016-14: Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update makes 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) Enhanced disclosures regarding cost allocations.

The Center also implemented Accounting Standards Update 2018-08: Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

The Center made changes to terminology and classification as described above as well as additional and modified disclosures, particularly in Notes 3, 5, 10 and 11 to the financial statements. Amounts previously reported for the year ended December 31, 2017 have been reclassified to achieve consistent presentation. Retrospective application of the standards did not have an impact on the beginning net assets, change in net assets or in the classification of items between without donor restrictions and with donor restrictions.

NOTE 17 – 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.

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NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

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.

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.

NOTE 18 – SUBSEQUENT EVENTS

The Center has evaluated subsequent events through June 10, 2019. This date is the date the financial statements were available to be issued.