

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

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

**DECEMBER 31, 2021**

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

December 31, 2021

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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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### Opinion

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, 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.

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, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Milagro Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Milagro Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Milagro Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Milagro Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Report on Summarized Comparative Information

We have previously audited the Milagro Foundation, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Nowlen, Holt & Miner, P.A.*

May 19, 2022  
West Palm Beach, Florida

**MILAGRO FOUNDATION, INC.**  
**DBA MILAGRO CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	2021	2020
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 479,783	\$ 311,509
Tuition receivable	2,681	272
Contributions receivable	191,717	205,800
Grants receivable	8,335	17,199
Prepaid expenses	27,246	12,101
<b>Total current assets</b>	709,762	546,881
<b>Noncurrent assets</b>		
Investments	292,372	245,218
Property and equipment, net	745,161	768,120
Other assets	1,518	1,955
<b>Total noncurrent assets</b>	1,039,051	1,015,293
<b>Total assets</b>	\$ 1,748,813	\$ 1,562,174
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 13,532	\$ 11,929
Accrued payroll	37,588	31,263
Accrued interest	1,339	1,601
Deferred revenue	400	68,976
Current portion of mortgage	43,507	40,491
<b>Total current liabilities</b>	96,366	154,260
<b>Noncurrent liabilities</b>		
PPP loan	-	131,303
Mortgage payable, less current portion	226,916	270,359
<b>Total noncurrent liabilities</b>	226,916	401,662
<b>Total liabilities</b>	323,282	555,922
<b>Net assets</b>		
Without donor restrictions		
Investment in property and equipment	474,738	457,270
Board designated net assets	292,372	245,218
Undesignated net assets	304,867	(22,195)
Total without donor restrictions	1,071,977	680,293
With donor restrictions	353,554	325,959
<b>Total net assets</b>	1,425,531	1,006,252
<b>Total liabilities and net assets</b>	\$ 1,748,813	\$ 1,562,174

See notes to financial statements.

**MILAGRO FOUNDATION, INC.**  
**DBA MILAGRO CENTER**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue</b>				
Contributions				
Corporate and foundation	\$ 117,000	\$ 898,465	\$ 1,015,465	\$ 774,601
Contracts and grants	-	154,744	154,744	175,638
PPP loan forgiveness	270,474	-	270,474	-
Fundraising and sponsorships	92,874	10,455	103,329	133,937
In-Kind contributions	69,917	-	69,917	90,656
Investment income (loss)	6,948	-	6,948	10,942
Tuition families	38,038	-	38,038	14,932
Tuition grants	108,968	-	108,968	115,554
Special event revenue, net of direct expenses of \$4,746 and \$11,748	7,632	-	7,632	27,256
<b>Total public support and revenue</b>	<u>711,851</u>	<u>1,063,664</u>	<u>1,775,515</u>	<u>1,343,516</u>
<b>Net assets released from restrictions</b>	<u>1,036,069</u>	<u>(1,036,069)</u>		
<b>Expenses</b>				
Program services	1,016,411	-	1,016,411	838,892
Supporting services:				
Management and general	257,486	-	257,486	248,506
Fundraising	82,339	-	82,339	74,405
<b>Total expenses</b>	<u>1,356,236</u>	<u>-</u>	<u>1,356,236</u>	<u>1,161,803</u>
<b>Change in net assets</b>	391,684	27,595	419,279	181,713
<b>Net assets at beginning of year</b>	<u>680,293</u>	<u>325,959</u>	<u>1,006,252</u>	<u>824,539</u>
<b>Net assets at end of year</b>	<u>\$ 1,071,977</u>	<u>\$ 353,554</u>	<u>\$ 1,425,531</u>	<u>\$ 1,006,252</u>

See notes to financial statements.

**MILAGRO FOUNDATION, INC.**  
**DBA MILAGRO CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	2021			Total	2020 Total
	Program Services	Management and General	Fundraising		
Payroll and related expenses	\$ 648,166	\$ 219,995	\$ 40,908	\$ 909,069	\$ 757,645
Artist	43,815	-	-	43,815	19,687
Program supplies	64,211	-	-	64,211	70,169
Other program related expenses	17,235	-	-	17,235	18,585
Background checks	964	-	-	964	358
Professional fees	6,033	9,450	250	15,733	25,054
Training and development	4,586	2,211	730	7,527	8,106
Occupancy costs	123,325	10,962	2,741	137,028	128,467
Office supplies	12,682	6,341	6,341	25,364	13,805
Advertising	-	-	29,714	29,714	27,274
Bank fees	-	2,100	-	2,100	4,517
Postage and delivery	128	63	64	255	334
Printing and reproduction	7,732	2,062	516	10,310	10,268
Transportation	18,253	-	-	18,253	8,901
Depreciation and amortization	48,396	4,302	1,075	53,773	49,065
Mortgage interest	20,885	-	-	20,885	19,568
Total expenses before direct fundraising	1,016,411	257,486	82,339	1,356,236	1,161,803
Special event direct costs	-	-	4,746	4,746	11,748
	<u>\$ 1,016,411</u>	<u>\$ 257,486</u>	<u>\$ 87,085</u>	<u>\$ 1,360,982</u>	<u>\$ 1,173,551</u>

See notes to financial statements.



**MILAGRO FOUNDATION, INC.**  
**DBA MILAGRO CENTER**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 419,279	\$ 181,713
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,773	49,065
Unrealized (gains) losses on investments	1,491	(7,594)
Donated equipment	-	(4,500)
PPP loan forgiveness	(270,474)	-
(Increase) decrease in assets:		
Contributions, tuition and grants receivable	20,538	(1,213)
Prepaid expenses	(15,145)	(2,132)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	7,666	(5,469)
Deposits	(68,576)	68,976
<b>Net cash provided (used) by operating activities</b>	<u>148,552</u>	<u>278,846</u>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(30,377)	(16,926)
Sales (Purchases) of investments	(48,645)	(164,341)
<b>Net cash provided (used) by investing activities</b>	<u>(79,022)</u>	<u>(181,267)</u>
<b>Cash flows from financing activities</b>		
Loan proceeds	139,177	131,303
Payments on long-term debt	(40,433)	(26,542)
<b>Net cash provided (used) by financing activities</b>	<u>98,744</u>	<u>104,761</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	168,274	202,340
<b>Cash and cash equivalents - beginning of year</b>	<u>311,509</u>	<u>109,169</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 479,783</u>	<u>\$ 311,509</u>
<b>Supplemental cash flow information</b>		
Cash paid for interest	<u>\$ 21,147</u>	<u>\$ 25,803</u>

See notes to financial statements.

**MILAGRO FOUNDATION, INC.**  
**DBA MILAGRO CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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, 2021**

**NOTE 1 – NATURE OF BUSINESS** (Continued)

*Teen Leadership* With the Jr. Teen Leadership Program, Milagro Center now operates 5 interrelated and socially inclusive programs for children relating to the visual and performing arts, leadership and mentoring. The Jr. Teen Leadership Program is our newest program and serves youth in grades 6-8; the Teen Leadership Program serves youth in grades 9-12.

**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, 2021**

**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, 2017.

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, 2021**

**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, and occupancy, which are allocated on a square footage basis.

**MILAGRO FOUNDATION, INC.  
DBA MILAGRO CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2020, 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	\$ 479,783
Investments	292,372
Tuition receivable	2,681
Contributions receivable	191,717
Grants receivable	<u>8,335</u>
Total financial assets	974,888
Less:	
Accounts payable and accrued expenses	(51,120)
Donor imposed restrictions	(353,554)
Restrictions expected to be met within one year	298,554
Board designated investments	<u>(292,372)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 576,396</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, 2021, the Center's financial assets available to meet general expenditures within one year were 162 days of expected expenditures and current assets less current liabilities were 172 days of expected expenditures.

**MILAGRO FOUNDATION, INC.**  
**DBA MILAGRO CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 has a Cash Reserve Policy.

The Center established an investment account as a part of the ongoing financial business of the organization, with the goal to have an operating reserve of no less than three months average operating expenses. The investment account was established to handle financing for special situations and is strictly overseen by the Finance Committee of the Board of Directors. The investment account is to be utilized only when none of the normal means of financing are available or are appropriate. This account shall be funded from unrestricted revenue. Approval to draw from the investment account will be by a majority vote of the Finance Committee members, and presented to the Board of Directors, for a final approval vote. A quorum (more than 50%) of the members must be present for the vote to take place. The Center's goal will be to begin replenishment within ninety days of initial withdrawal and finish replenishment within a period not to exceed twelve months. If withdrawal of funds from this account causes the account to drop below the operating reserve of three months, then replenishment of account funds will begin within thirty days of withdrawal, or as soon as possible, whichever is earliest.

The Center's Reserve Policy was approved in November of 2019, at this time the investment account had less than the required ninety days of operating expenses. The Finance Committee is monitoring the Center's liquidity monthly and making recommendations to increase the investment account when appropriate. The reserve increased from twenty-one days of operating expenses in 2019, eighty days of operating expenses in 2020 and eighty-two days of operating expenses in 2021.

**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, 2021, all contributions receivable recorded were due within one year.

**NOTE 5 – CONDITIONAL PROMISES TO GIVE**

The Center has two grants from Palm Beach County which are paid monthly based on the number of hours of program activity provided. In the fiscal year ending December 31, 2021, \$99,846 was recognized as contributions with donor restrictions and \$100,500 was remaining at year end.

**MILAGRO FOUNDATION, INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 5 – CONDITIONAL PROMISES TO GIVE** (Continued)

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, 2021, \$35,000 was recognized as contributions with donor restrictions. The contract has not yet been renewed for the contract term of October 1, 2021 to September 30, 2022.

During 2020, the Center received a conditional promise to give totaling \$200,000. The promise to give is payable \$100,000 in 2020 and \$100,000 in 2021. The final payment is contingent on meeting certain performance standards in the previous year. In the fiscal year ending December 31, 2021, \$100,000 was recognized as contributions with donor restrictions.

During 2021, the Center received a conditional promise to give totaling \$100,000. The promise to give is payable \$50,000 in 2021 and \$50,000 in 2022. The final payment is contingent on meeting certain performance standards in the previous year. In the fiscal year ending December 31, 2021, \$50,000 was recognized as contributions with donor restrictions.

**NOTE 6 – INVESTMENTS**

The following is a summary of the Center’s investments, which are stated at fair value at December 31, 2021:

Cash, investment account sweep	\$ 27,634
Corporate stock	248,888
Mutual funds	<u>15,850</u>
	<u><u>\$ 292,372</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.



**MILAGRO FOUNDATION, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

- 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, 2021.

At December 31, 2021, all of the Center's investments were classified as Level 1.

**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Land	\$ 85,500
Buildings and improvements	1,081,834
Playground equipment and improvements	27,156
Computers	31,138
Vehicles	25,585
Furniture and fixtures	<u>41,632</u>
 Total property and equipment	 1,292,845
Accumulated depreciation	<u>(547,684)</u>
 Net property and equipment	 <u><u>\$ 745,161</u></u>

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**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 December 2026 and is payable in monthly installments of \$5,131, including interest at 7.13%.

In recognition of the impact of COVID-19, the bank deferred the payments for three months during the 2020 year. The deferred payments will be included in the final scheduled payment on the loan.

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

2022	\$ 43,507
2023	46,750
2024	50,234
2025	53,977
2026	<u>75,955</u>
	<u>\$ 270,423</u>

**NOTE 10 – PPP LOAN**

On April 17, 2020, the Center received loan proceeds in the amount of \$131,303 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The loan was forgiven on March 29, 2021 and was recorded as income in the year ended December 31, 2021.

On February 2, 2021, the Center was approved for a second loan in the amount of \$139,171. The loan was forgiven on August 26, 2021 and was recorded as income in the year ended December 31, 2021.

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**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2021, net assets with donor restrictions were as follows:

STARS program	\$ 60,034
Mentoring program	74,116
Junior program	99,873
Teen leadership program	<u>119,531</u>
	<u>\$ 353,554</u>

Included in the above restrictions are time restrictions of \$185,116 that must be spent in 2022.

For the fiscal year ended December 31, 2021, net assets released from restrictions were as follows:

Artreach program expenses	\$ 32,727
STARS program expenses	309,361
Mentoring program expenses	136,604
Junior program expenses and capital expenditures	202,663
Teen leadership program expenses and capital expenditures	<u>354,714</u>
	<u>\$ 1,036,069</u>

**NOTE 12 – 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, 2021 the Center received various items as follows:

Facility rent abatement	\$ 36,000
Office supplies	2,460
Professional services	2,007
Program supplies	<u>29,450</u>
	<u>\$ 69,917</u>

Around fifty-five 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.

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**NOTE 13 – 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 6<sup>th</sup> Avenue, Delray Beach, Florida. In 2017 the property at 340 SW 6<sup>th</sup> Avenue was converted to program usage. For the year ended December 31, 2021, 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 14 – LEASE COMMITMENTS**

At December 31, 2021, the center is obligated under a non-cancelable operating lease for office equipment that that expires in 2026. Future minimum lease payments are as follows:

2022	\$ 8,988
2023	8,988
2024	6,513
2025	5,688
2026	<u>2,844</u>
Total	<u>\$ 33,021</u>

Rental expense for 2021 was \$10,310.

**NOTE 15 – 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, 2021, the Center did not make a contribution and there were no forfeitures.

**NOTE 16 – CONCENTRATION IN SUPPORT AND REVENUE**

For the year ended December 31, 2021, the Center's ten largest contributors and grantors, excluding the onetime PPP Loan forgiveness, provided sixty-three percent of the Center's total support, in 2020 the ten largest donors provided sixty-five percent, and in 2019 the ten largest donors provided fifty-eight percent. 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 17– SUBSEQUENT EVENTS**

The Center has evaluated subsequent events through May 19, 2022. This date is the date the financial statements were available to be issued.

**NOTE 18 – 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 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, 2022. 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.