

**LA AMISTAD FOUNDATION, INC.**

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

**DECEMBER 31, 2012 and 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
La Amistad Foundation, Inc.  
Fern Park, Florida

I have audited the accompanying financial statements of La Amistad Foundation, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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*

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 statement, 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, I express no such opinion. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Amistad Foundation, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
Certified Public Accountant

March 26, 2013

**LA AMISTAD FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 and 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>	<b>LIABILITIES</b>	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and cash equivalents	\$1,033,950	\$ 951,390	Accounts payable	\$ 36,980	\$ 23,680
Accounts receivable	10,010	34,510	Accrued payroll and expenses	69,970	56,470
Other current assets	<u>55,090</u>	<u>42,050</u>	Funds held for residents	43,780	31,800
			Refundable deposits	76,250	68,750
Total Current Assets	<u>1,099,050</u>	<u>1,027,950</u>	Construction loan payable (Note 4)	<u>500,000</u>	<u>-</u>
			Total Current Liabilities	<u>726,980</u>	<u>180,700</u>
<b>PROPERTY AND EQUIPMENT</b>			<b>LONG-TERM LIABILITIES</b>		
(Notes 2 and 4)	<u>3,201,700</u>	<u>3,336,880</u>	Construction loan payable (Note 4)	<u>-</u>	<u>810,880</u>
			Total Long-term Liabilities	<u>-</u>	<u>810,880</u>
<b>OTHER ASSETS</b>			<b>NET ASSETS</b>		
Pledges receivable for building purposes	259,630	384,630	Unrestricted	3,877,610	3,794,650
Endowment investment (Note 3)	136,970	122,020	Temporarily restricted (Note 6)	39,170	34,600
Other	<u>50,800</u>	<u>53,740</u>	Permanently restricted (Note 6)	<u>104,390</u>	<u>104,390</u>
Total Other Assets	<u>447,400</u>	<u>560,390</u>	Total Net Assets	<u>4,021,170</u>	<u>3,933,640</u>
Total Assets	<u>\$4,748,150</u>	<u>\$4,925,220</u>	Total Liabilities and Net Assets	<u>\$4,748,150</u>	<u>\$4,925,220</u>

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

**LA AMISTAD FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating Activities:</b>				
<b>Revenue and Support</b>				
Resident fees, less scholarship allowances of \$84,730	\$2,160,410	\$ -	\$ -	\$2,160,410
Contributions	64,760	45,950		110,710
Interest and dividends	5,490			5,490
Other income	35,450			35,450
Net assets released from restrictions (Note 6)	<u>41,380</u>	<u>( 41,380)</u>		<u>-</u>
Total revenue and support	<u>2,307,490</u>	<u>4,570</u>	<u>-</u>	<u>2,312,060</u>
<b>Expenses</b>				
Program services	1,856,050			1,856,050
Supporting services:				
Management and general	324,520			324,520
Fund raising	<u>58,910</u>	<u>-</u>		<u>58,910</u>
Total expenses	<u>2,239,480</u>	<u>-</u>	<u>-</u>	<u>2,239,480</u>
<b>Change in net assets from operating activities</b>	<u>68,010</u>	<u>4,570</u>	<u>-</u>	<u>72,580</u>
<b>Nonoperating Activities:</b>				
Endowment fund investment gain (Note 3)	<u>14,950</u>	<u>-</u>	<u>-</u>	<u>14,950</u>
<b>Change in net assets from nonoperating activities</b>	<u>14,950</u>	<u>-</u>	<u>-</u>	<u>14,950</u>
<b>Change in net assets</b>	82,960	4,570	-	87,530
<b>Net assets - beginning of year</b>	<u>3,794,650</u>	<u>34,600</u>	<u>104,390</u>	<u>3,933,640</u>
<b>Net assets - end of year</b>	<u>\$3,877,610</u>	<u>\$ 39,170</u>	<u>\$ 104,390</u>	<u>\$4,021,170</u>

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

**LA AMISTAD FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating Activities:</b>				
<b>Revenue and Support</b>				
Resident fees, less scholarship allowances of \$84,730	\$2,077,740	\$ -	\$ -	\$2,077,740
Contributions	31,820	36,180		68,000
Interest and dividends	6,970			6,970
Other income	17,190			17,190
Net assets released from restrictions (Note 6)	<u>46,920</u>	<u>( 46,920)</u>		<u>-</u>
Total revenue and support	<u>2,180,640</u>	<u>( 10,740)</u>	<u>-</u>	<u>2,169,900</u>
<b>Expenses</b>				
Program services	1,790,930			1,790,930
Supporting services:				
Management and general	315,840			315,840
Fund raising	<u>28,530</u>			<u>28,530</u>
Total expenses	<u>2,135,300</u>	<u>-</u>	<u>-</u>	<u>2,135,300</u>
<b>Change in net assets from operating activities</b>	<u>45,340</u>	<u>( 10,740)</u>	<u>-</u>	<u>34,600</u>
<b>Nonoperating Activities:</b>				
Contributions for buildings	10,000	-	-	10,000
Endowment fund investment loss (Note 3)	<u>( 4,580)</u>	<u>-</u>	<u>-</u>	<u>( 4,580)</u>
<b>Change in net assets from nonoperating activities</b>	<u>5,420</u>	<u>-</u>	<u>-</u>	<u>5,420</u>
<b>Change in net assets</b>	50,760	( 10,740)	-	40,020
<b>Net assets - beginning of year</b>	<u>3,743,890</u>	<u>45,340</u>	<u>104,390</u>	<u>3,893,620</u>
<b>Net assets - end of year</b>	<u>\$3,794,650</u>	<u>\$ 34,600</u>	<u>\$ 104,390</u>	<u>\$3,933,640</u>

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

**LA AMISTAD FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2012**

	<b>Supporting Services</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Personnel	\$ 922,660	\$ 129,100	\$ 35,730	\$1,087,490
Employee benefits	142,940	20,000	5,530	168,470
Payroll taxes	83,610	11,700	3,240	98,550
Food expense	153,400			153,400
Depreciation and amortization	121,650	31,110		152,760
Utilities	135,280	17,410		152,690
Insurance	57,420	17,470	530	75,420
Repairs and maintenance	65,270	4,410		69,680
Rent	47,500			47,500
Recreation programs	36,450			36,450
Office supplies and expense	20,630	14,770	420	35,820
Professional fees		34,370		34,370
Interest	18,630	12,790		31,420
Marketing		17,400		17,400
Resident professional services	16,370			16,370
Event costs			12,410	12,410
Auto	12,110			12,110
Tuition program	11,370			11,370
Travel, seminars and meetings	2,960	6,840	850	10,650
Other	7,800	7,150	200	15,150
Total expenses	<b>\$1,856,050</b>	<b>\$ 324,520</b>	<b>\$ 58,910</b>	<b>\$2,239,480</b>

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

**LA AMISTAD FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2011**

	<b>Supporting Services</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Personnel	\$ 894,920	\$ 105,040	\$ 14,290	\$1,014,250
Employee benefits	144,500	16,960	2,300	163,760
Payroll taxes	75,420	8,850	1,200	85,470
Food expense	120,860			120,860
Utilities	118,250	16,430		134,680
Repairs and maintenance	99,280	8,350		107,630
Insurance	52,200	16,070	200	68,470
Recreation programs	42,080			42,080
Rent	42,000			42,000
Resident professional services	15,610			15,610
Licenses, accreditation and other	13,010	130	100	13,240
Auto	12,530			12,530
Travel, seminars and meetings	2,610	3,730	350	6,690
Linen service	4,750			4,750
Tuition program	17,220			17,220
Interest		33,970		33,970
Professional fees		32,850		32,850
Office supplies and expense	13,720	13,720	510	27,950
Depreciation and amortization	121,970	31,180		153,150
Marketing		17,600		17,600
Other		10,960		10,960
Event costs			9,580	9,580
	<u>\$1,790,930</u>	<u>\$ 315,840</u>	<u>\$ 28,530</u>	<u>\$2,135,300</u>
Total expenses	<u>\$1,790,930</u>	<u>\$ 315,840</u>	<u>\$ 28,530</u>	<u>\$2,135,300</u>

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



**LA AMISTAD FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from Operating Activities:</b>		
Increase in net assets	\$ 87,530	\$ 40,020
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for building construction	-	( 10,000)
Unrealized (gain) loss on investments	( 15,020)	4,840
Depreciation and amortization	152,760	153,150
(Increase) decrease in accounts receivable	24,500	( 17,900)
(Increase) decrease in other current assets	( 13,040)	( 4,020)
Increase (decrease) in accounts payable and accrued expenses	<u>26,800</u>	<u>( 220,480)</u>
Net cash provided by (used in) operating activities	<u>263,530</u>	<u>( 54,390)</u>
<b>Cash flows from Investing Activities:</b>		
Cash restricted for building purposes	-	120,500
Construction costs incurred	-	( 413,890)
Acquisition of equipment	( 14,340)	( 26,090)
Other assets	( 230)	( 7,900)
Funds held for residents	<u>19,480</u>	<u>8,560</u>
Net cash provided by (used in) investing activities	<u>4,910</u>	<u>( 318,820)</u>
<b>Cash flows from Financing Activities:</b>		
Proceeds from construction loan	-	516,980
Collection of pledges for building and construction financing	125,000	10,000
Repayment of long-term debt	( 310,880)	( 137,130)
Net cash provided by (used in) financing activities	<u>( 185,880)</u>	<u>389,850</u>
Net increase in cash	82,560	16,640
<b>Cash and cash equivalents, beginning of year</b>	<u>951,390</u>	<u>934,750</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$1,033,950</u>	<u>\$ 951,390</u>
<b>Supplemental Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 31,420</u>	<u>\$ 39,240</u>

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

**LA AMISTAD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 and 2011**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The La Amistad Foundation, Inc. (“the Organization”) is a not for profit corporation that owns and operates a long-term residential treatment facility for chronically mentally ill adults. The facilities are located in Central Florida and are operated as “Lakewood Center”. The Organization provides these services to individuals from throughout the United States. Revenues are realized from residents and their families. Support is provided by contributions, grants and fund raising activities.

La Amistad Foundation, Inc. is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar Florida statutes and is classified as other than a private foundation. Contributions to La Amistad Foundation, Inc. qualify as charitable contribution deductions to the extent allowed by income tax regulations. The Organization’s federal informational and income tax returns for the years ended December 31, 2009, and later remain subject to examination.

**Operating and Nonoperating Activities**

Operating activities relate solely to the continuing programs and supporting services of the Organization. Revenues and support are reported by source and operating expenses are reported by major function. Nonoperating activities include activities related to the acquisition and disposition of property and buildings; contributions restricted and used for building purposes; and, endowment investing activities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents includes cash in banks and certificates of deposits. Cash contributed for long-term purposes (building purposes) is classified as an other asset.

**Accounts Receivable**

Revenue and related receivables are recognized monthly based on participant residency. Bad debts are provided for using the allowance method based on management’s assessment of uncollected accounts at the end of each year. The allowance for doubtful accounts is \$25,000 at December 31, 2012 and \$37,700 at December 31, 2011.

**Pledges Receivable**

Pledges receivable at December 31, 2012 and 2011, are restricted for building and related purposes. Accordingly, the pledges are classified as noncurrent. Pledges are due substantially ratably over the next two years. Receivables have been discounted to present value based on an interest rate of three percent. Pledges receivable total \$275,250 and \$400,250 at December 31, 2012 and 2011, respectively. The unamortized discount at December 31, 2012 and 2011, is \$15,620.

**LA AMISTAD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 and 2011**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(Continued)**

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the organization reports expirations of donor restrictions when costs for the long-lived assets are expended.

**Property and Equipment**

Property and equipment in excess of \$1,500 is recorded at cost when purchased and at estimated fair value when donated. Depreciation is recorded using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15- 40
Pool	15
Furniture, fixtures and equipment	5 - 10
Vehicles	5

**Functional Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Concentration of Credit Risk**

The Organization may maintain cash balances exceeding the federally insured limits in a bank. At December 31, 2012, cash held in a bank in excess of federally insured limits was \$39,900.

**Subsequent Events**

Subsequent events have been evaluated through March 26, 2013, which is the date the financial statements were available to be issued.

**LA AMISTAD FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

**NOTE 2 PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 310,450	\$ 310,450
Buildings and improvements	4,830,360	4,833,180
Furniture, fixtures and equipment	221,940	227,520
Pool and pool equipment	86,460	88,780
Vehicles	<u>126,360</u>	<u>126,360</u>
	5,575,570	5,586,290
Less accumulated depreciation	<u>2,373,870</u>	<u>2,249,410</u>
	<u>\$3,201,700</u>	<u>\$3,336,880</u>

**NOTE 3 ENDOWMENT INVESTMENT**

Beneficial interest in assets held by others:

The Organization transferred certain endowment funds to Community Foundation of Central Florida, Inc. (CFCFI). The Organization is the beneficiary of the endowment fund and has not granted variance power to Community Foundation of Central Florida, Inc.

The transfer is irrevocable, however, Community Foundation of Central Florida, Inc. may make annual distributions of the income earned on the fund to the Organization, subject to the foundation's spending policy.

*Financial Accounting Standards Board, ASC 820-10, Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority and the most reliable evidence of fair value. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 3 are unobservable inputs and have the lowest priority and are used only when Level 1 or Level 2 inputs are not available.

Community Foundation of Central Florida, Inc. manages and maintains the endowment investments as a component fund of CFCFI and reports fair value based on quoted market prices, primarily. As the beneficiary, La Amistad Foundation, Inc. cannot determine the value of its Beneficial Interest. The Beneficial Interest is reported in these financial statements at the value reported by CFCFI, which is a Level 3 unobservable input.

**LA AMISTAD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 and 2011**

**NOTE 3 ENDOWMENT INVESTMENT (Continued)**

The endowment value as determined by CFCFI is as follows:

December 31, 2012	Fair Value	\$136,970 Level 3
December 31, 2011	Fair Value	\$122,020 Level 3

La Amistad Foundation, Inc.'s net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Contributions received with donor imposed restrictions are reported at fair market value of the original gift as of the date of the gift, as permanently restricted net assets. Earnings and investment gains and losses on the endowment are classified as unrestricted net assets absent explicit donor stipulations to the contrary. There are no donor stipulations regarding the earnings, gains and losses of the currently held endowments.

The composition of the Organization's endowment by net asset class is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Endowment net assets, December 31, 2010	\$ 22,210	\$ 104,390
Interest and dividends	2,720	-
Realized gains	3,760	-
Net depreciation in investments	( 9,380)	-
Investment fees	( 1,680)	-
Endowment net assets, December 31, 2011	17,630	104,390
Interest and dividends	1,660	-
Realized gains	4,110	-
Net appreciation in investments	10,770	-
Investment fees	( 1,590)	-
Endowment net assets, December 31, 2012	\$ <u>32,580</u>	\$ <u>104,390</u>

**NOTE 4 CONSTRUCTION LOAN AND MORTGAGE**

In 2011, the Organization completed an expansion of its facilities. The expansion was financed. The loan bears interest at prime rate with a minimum rate of 4.75 percent and a maximum rate of 8.25 percent and matures October 2013. The construction loan includes an extension period to October 2020, with options for either a fixed or variable rate (at the Organization's option) based on the then prime rate and also includes repayment options for the extension period. The loan extension is dependent upon there having been no default in the loan terms up to the extension date and no adverse change in the financial condition of the Organization. The loan requires that the Organization maintain a maximum debt to worth ratio of .50 to 1. The balance outstanding on the loan is \$500,000 and \$810,880, at December 31, 2012 and 2011, respectively. Interest of \$5,270 was capitalized as construction costs in 2011.

This loan is secured by a mortgage on all property owned by the Organization, construction pledges receivable, rents, and substantially all personal property.

**LA AMISTAD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 and 2011**

**NOTE 5 RETIREMENT PLAN**

The Organization maintains a 403(b) retirement plan for its employees. Employees who are eligible, work more than 20 hours per week, and have one year of service participate in an annual employer contribution. Employer contributions are discretionary. In 2012 and 2011, the Organization contributed \$64,500 and \$62,340, to the plan.

**NOTE 6 RESTRICTED NET ASSETS**

Net assets released from temporary restrictions during the year are as follows:

	<u>2012</u>	<u>2011</u>
Operating activities:		
Scholarships	\$ 30,000	\$ 30,000
Tuition	<u>11,380</u>	<u>16,920</u>
	<u>\$ 41,380</u>	<u>\$ 46,920</u>

Temporarily restricted net assets at December 31, are as follows:

Scholarships	\$ 30,000	\$ 30,000
Tuition	<u>9,170</u>	<u>4,600</u>
	<u>\$ 39,170</u>	<u>\$ 34,600</u>

An endowment fund in the amount of \$104,390 is permanently restricted at December 31, 2012 and 2011. See Note 3.

**NOTE 7 LEASE**

The Organization has entered into a five year facility lease agreement. Minimum lease payments are as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2013	\$ 75,000
2014	75,000
2015	75,000
2016	75,000
2017	<u>62,500</u>
	<u>\$ 362,500</u>

Rent expense under this lease totaled \$47,500 and \$42,000 for the years ended December 31, 2012 and 2011.