

LA AMISTAD FOUNDATION, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

December 31, 2017 and 2016

CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 12



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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, 2017 and 2016, 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, 2017 and 2016, 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, 2018

LA AMISTAD FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 and 2016

	ASSETS		LIABILITIES	
	2017	2016	2017	2016
CURRENT ASSETS			CURRENT LIABILITIES	
Cash and cash equivalents	\$2,039,710	\$1,465,610	Accounts payable	\$ 32,150
Accounts receivable	2,500	26,000	Accrued payroll and expenses	99,280
Prepaid expenses	90,710	80,770	Funds held for residents	49,660
Bequest and pledge receivable	<u>5,000</u>	<u>160,000</u>	Resident refundable deposits	<u>96,250</u>
Total Current Assets	<u>2,137,920</u>	<u>1,732,380</u>	Total Current Liabilities	<u>277,340</u>
PROPERTY AND EQUIPMENT (Note 2)	<u>3,967,240</u>	<u>2,944,060</u>		
OTHER ASSETS			NET ASSETS	
Endowment investment (Note 3)	186,250	161,720	Unrestricted	5,800,040
Cash held for building, equipment, furnishings	-	20,000	Temporarily restricted (Note 5)	141,460
Construction work in progress and equipment deposits	-	1,105,980	Permanently restricted (Note 5)	<u>104,390</u>
Other	<u>31,820</u>	<u>30,240</u>	Total Net Assets	<u>6,045,890</u>
Total Other Assets	<u>218,070</u>	<u>1,317,940</u>		<u>5,722,220</u>
Total Assets	<u>\$6,323,230</u>	<u>\$5,994,380</u>	Total Liabilities and Net Assets	<u>\$6,323,230</u>
				<u>\$5,994,380</u>

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

**LA AMISTAD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Activities:				
Revenue and Support				
Resident fees, less scholarship allowances of \$180,640	\$2,663,170	\$ -	\$ -	\$2,663,170
Contributions	407,940	122,500	-	530,440
Interest and dividends	13,890	-	-	13,890
Other income	3,330	-	-	3,330
Net assets released from restrictions (Note 5)	<u>52,110</u>	<u>(52,110)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>3,140,440</u>	 <u>70,390</u>	 <u>-</u>	 <u>3,210,830</u>
Expenses				
Program services	2,443,240	-	-	2,443,240
Supporting services:				
Management and general	356,450	-	-	356,450
Fund raising and development	<u>137,000</u>	<u>-</u>	<u>-</u>	<u>137,000</u>
 Total expenses	 <u>2,936,690</u>	 <u>-</u>	 <u>-</u>	 <u>2,936,690</u>
 Change in net assets from operating activities	 <u>203,750</u>	 <u>70,390</u>	 <u>-</u>	 <u>274,140</u>
Nonoperating Activities:				
Contribution for equipment	25,000	-	-	25,000
Endowment fund investment income	24,530	-	-	24,530
Net assets released from restrictions (Note 5)	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>
 Change in net assets from nonoperating activities	 <u>69,530</u>	 <u>(20,000)</u>	 <u>-</u>	 <u>49,530</u>
 Change in net assets	 273,280	 50,390	 -	 323,670
 Net assets - beginning of year	 <u>5,526,760</u>	 <u>91,070</u>	 <u>104,390</u>	 <u>5,722,220</u>
 Net assets - end of year	 <u>\$5,800,040</u>	 <u>\$ 141,460</u>	 <u>\$ 104,390</u>	 <u>\$6,045,890</u>

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

LA AMISTAD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Activities:				
Revenue and Support				
Resident fees, less scholarship allowances of \$226,500	\$2,603,420	\$ -	\$ -	\$2,603,420
Contributions	251,100	10,000	-	261,100
Interest and dividends	7,970	-	-	7,970
Other income	13,220	-	-	13,220
Net assets released from restrictions (Note 5)	<u>29,440</u>	<u>(29,440)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>2,905,150</u>	 <u>(19,440)</u>	 <u>-</u>	 <u>2,885,710</u>
Expenses				
Program services	2,270,590	-	-	2,270,590
Supporting services:				
Management and general	358,580	-	-	358,580
Fund raising and development	<u>117,260</u>	<u>-</u>	<u>-</u>	<u>117,260</u>
 Total expenses	 <u>2,746,430</u>	 <u>-</u>	 <u>-</u>	 <u>2,746,430</u>
 Change in net assets from operating activities	 <u>158,720</u>	 <u>(19,440)</u>	 <u>-</u>	 <u>139,280</u>
Nonoperating Activities:				
Contributions for building	-	259,830	-	259,830
Endowment fund investment income	8,180	-	-	8,180
Net assets released from restrictions (Note 5)	<u>615,330</u>	<u>(615,330)</u>	<u>-</u>	<u>-</u>
 Change in net assets from nonoperating activities	 <u>623,510</u>	 <u>(355,500)</u>	 <u>-</u>	 <u>268,010</u>
 Change in net assets	 782,230	 (374,940)	 -	 407,290
 Net assets - beginning of year	 <u>4,744,530</u>	 <u>466,010</u>	 <u>104,390</u>	 <u>5,314,930</u>
 Net assets - end of year	 <u>\$5,526,760</u>	 <u>\$ 91,070</u>	 <u>\$ 104,390</u>	 <u>\$5,722,220</u>

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

LA AMISTAD FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel	\$1,151,250	\$ 183,360	\$ 70,370	\$1,404,980
Employee benefits	249,830	39,790	15,270	304,890
Payroll taxes	91,210	14,530	5,570	111,310
Utilities	136,930	15,830	-	152,760
Food expense	182,330	-	-	182,330
Depreciation	180,710	10,050	-	190,760
Repairs and maintenance	118,750	8,250	-	127,000
Insurance	99,920	14,610	1,540	116,070
Rent	75,000	-	-	75,000
Professional fees	28,300	31,860	1,290	61,450
Recreation programs	35,570	-	-	35,570
Office supplies and expense	22,600	22,660	190	45,450
Marketing	-	1,520	7,550	9,070
Auto	13,490	-	-	13,490
Travel and meetings	4,610	6,910	160	11,680
Accreditation and licenses	16,730	1,510	2,450	20,690
Event costs	-	-	32,610	32,610
Other	<u>36,010</u>	<u>5,570</u>	<u>-</u>	<u>41,580</u>
Total expenses	<u>\$2,443,240</u>	<u>\$ 356,450</u>	<u>\$137,000</u>	<u>\$2,936,690</u>

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

LA AMISTAD FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel	\$1,167,150	\$ 161,200	\$ 58,710	\$1,387,060
Employee benefits	202,760	28,000	10,200	240,960
Payroll taxes	93,600	12,930	4,710	111,240
Utilities	153,580	15,930	-	169,510
Food expense	163,390	-	-	163,390
Depreciation and amortization	129,310	46,430	-	175,740
Repairs and maintenance	84,050	6,440	-	90,490
Insurance	79,080	22,090	1,010	102,180
Rent	75,000	-	-	75,000
Professional fees	24,360	28,690	13,250	66,300
Recreation programs	48,460	-	-	48,460
Office supplies and expense	13,320	13,310	220	26,850
Marketing	-	10,340	-	10,340
Auto	9,160	-	-	9,160
Travel and meetings	4,900	7,850	130	12,880
Licenses	2,330	560	140	3,030
Event costs	-	-	28,890	28,890
Other	<u>20,140</u>	<u>4,810</u>	<u>-</u>	<u>24,950</u>
Total expenses	<u>\$2,270,590</u>	<u>\$ 358,580</u>	<u>\$117,260</u>	<u>\$2,746,430</u>

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

LA AMISTAD FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from Operating Activities:		
Increase in net assets	\$ 323,670	\$ 407,290
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for building, equipment, furnishings	-	(259,830)
Unrealized (gain) loss on investment	(3,060)	(1,400)
Unrealized (gains) loss on endowment investment	(24,530)	(8,180)
Depreciation and amortization	190,760	175,740
(Increase) decrease in accounts receivable	23,500	18,590
(Increase) decrease in prepaid expenses	(9,940)	18,900
(Increase) decrease in pledges and endowments receivable	155,000	(10,000)
Increase (decrease) in accounts payable and accrued expenses	(1,840)	16,560
Net cash provided by operating activities	<u>653,560</u>	<u>357,670</u>
Cash flows from Investing Activities:		
Construction and equipment costs	(87,060)	(1,089,130)
Vehicle purchase	(20,900)	-
Other assets	-	610
Net cash used in investing activities	<u>(107,960)</u>	<u>(1,088,520)</u>
Cash flows from Financing Activities:		
Contributions for building, equipment, furnishings	20,000	615,330
Resident funds and deposits, net collected (returned)	7,020	(8,990)
Liquidation of cash surrender value of life insurance policy	1,480	-
Net cash provided by financing activities	<u>28,500</u>	<u>606,340</u>
 Net increase (decrease) in cash	 574,100	 (124,510)
Cash and cash equivalents, beginning of year	<u>1,465,610</u>	<u>1,590,120</u>
Cash and cash equivalents, end of year	<u>\$2,039,710</u>	<u>\$1,465,610</u>

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

LA AMISTAD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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.

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.

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 operating accounts is \$5,000 and \$23,000, at December 31, 2017 and 2016, respectively.

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.

LA AMISTAD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

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

Contributions (continued)

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 \$5,000 is recorded at cost when purchased and at estimated fair value when donated. Depreciation is recognized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building 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, 2017, cash held in a bank in excess of federally insured limits was \$1,248,130.

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.

Subsequent Events

Subsequent events have been evaluated through March 26, 2018, which is the date the financial statements were available to be issued.

**LA AMISTAD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016**

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 310,450	\$ 310,450
Buildings and improvements	6,054,460	5,066,510
Furniture, fixtures and equipment	318,010	126,160
Pool and pool equipment	86,460	86,460
Vehicles	<u>105,850</u>	<u>104,160</u>
	6,875,230	5,693,740
Less accumulated depreciation	<u>2,907,990</u>	<u>2,749,680</u>
	<u>\$3,967,240</u>	<u>\$2,944,060</u>

Depreciation expense was \$190,760 and \$157,280 for the years ended December 31, 2017 and 2016, respectively.

NOTE 3 ENDOWMENT INVESTMENT

Beneficial interest in assets held by others:

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

The transfer is irrevocable, however, Central Florida Foundation, Inc. (CFF) 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.

CFF manages and maintains the endowment investments as a component fund of CFF 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 CFF which is a Level 3 unobservable input.

**LA AMISTAD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016**

NOTE 3 ENDOWMENT INVESTMENT (Continued)

The endowment value as determined by CFF is as follows:

December 31, 2017	Fair Value	\$186,250 Level 3
December 31, 2016	Fair Value	\$161,720 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, 2015	\$ 49,150	\$ 104,390
Interest and dividends	1,780	-
Realized gains	1,220	-
Net appreciation in investments	7,310	-
Investment fees	(2,130)	-
Endowment net assets, December 31, 2016	\$ 57,330	\$ 104,390
Interest and dividends	2,820	-
Realized gains	8,990	-
Net appreciation in investments	15,030	-
Investment fees	(2,310)	-
Endowment net assets, December 31, 2017	<u>\$ 81,860</u>	<u>\$ 104,390</u>

NOTE 4 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. The Organization contributed \$107,160 and \$85,290 for the years ended December 31, 2017 and 2016, respectively.

**LA AMISTAD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016**

NOTE 5 RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Operating activities:		
Resident scholarships	\$ 30,000	\$ 20,000
Tuition and related costs	18,820	9,230
Other	<u>3,290</u>	<u>210</u>
	<u>\$ 52,110</u>	<u>\$ 29,440</u>
Nonoperating activities:		
Building and kitchen equipment costs	<u>\$ 20,000</u>	<u>\$615,330</u>

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

Resident scholarships	\$ 92,000	\$ 30,000
Tuition and related costs	49,460	37,780
Building, equipment, furnishings	-	20,000
Other	<u>-</u>	<u>3,290</u>
	<u>\$141,460</u>	<u>\$ 91,070</u>

An endowment fund in the amount of \$104,390 is permanently restricted at December 31, 2017 and 2016. See Note 3.

NOTE 6 LEASE

The Organization's five year facility lease agreement ended October 2017, and was renegotiated in 2018. Rent expense totaled \$75,000 for the years ended December 31, 2017 and 2016.