

GUADALUPE CENTER, INC.
IMMOKALEE, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

**Myers
& Bretttholtz
& COMPANY, PA**
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Guadalupe Center, Inc.

We have audited the accompanying financial statements of Guadalupe Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows, and functional expenses 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 Guadalupe Center, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



MYERS, BRETTTHOLTZ & COMPANY, PA
Fort Myers, Florida
February 20, 2018

GUADALUPE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

Cash and cash equivalents	\$ 928,534
Cash restricted for building and scholarships	420,214
Certificates of deposit	696,737
Certificates of deposit, restricted for building and scholarships	2,156,563
Investments	2,021,190
Accounts receivable - other	29,524
Grants receivable	80,128
Interest receivable	10,554
Unconditional promises to give, net	925,282
Thrift shop inventory	161,190
Prepaid expenses	157,701
Deposits	5,300
Land available for sale	374,238
Property and equipment, net	<u>5,982,502</u>
Total assets	<u><u>\$ 13,949,657</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 280,083
Deferred revenue	<u>54,459</u>
Total liabilities	<u>334,542</u>

NET ASSETS

Unrestricted:	
Undesignated	1,898,749
Board designated	926,142
Equity in property and equipment	<u>5,982,502</u>
Total unrestricted	<u>8,807,393</u>
Temporarily restricted	<u>2,725,759</u>
Permanently restricted	<u>2,081,963</u>
Total net assets	<u>13,615,115</u>
Total liabilities and net assets	<u><u>\$ 13,949,657</u></u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

GUADALUPE CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Gross proceeds from special fund raising events	\$ 136,153	\$ 719,091	\$ -	\$ 855,244
Less direct costs	345,082	-	-	345,082
Net proceeds from special fund raising events	(208,929)	719,091	-	510,162
Contributions	1,352,037	743,902	1,849,299	3,945,238
Federal grants	397,607	-	-	397,607
Other grants	99,667	1,088,956	-	1,188,623
Early childhood education	984,420	-	-	984,420
Thrift shop	645,139	-	-	645,139
In-kind rent	-	30,233	-	30,233
Investment	62,666	13,251	-	75,917
Other	35,466	-	-	35,466
Recovery of bad debt	7,661	-	-	7,661
Net assets released from restrictions	2,779,834	(2,779,834)	-	-
Total revenues and support	6,155,568	(184,401)	1,849,299	7,820,466
EXPENSES				
Program services	4,862,095	-	-	4,862,095
General and administrative	499,675	-	-	499,675
Fund raising	475,081	-	-	475,081
Thrift shop	470,866	-	-	470,866
Total expenses	6,307,717	-	-	6,307,717
(Decrease) increase in net assets	(152,149)	(184,401)	1,849,299	1,512,749
NET ASSETS - October 1, 2016	8,959,542	3,142,824	-	12,102,366
TRANSFER	-	(232,664)	232,664	-
NET ASSETS - September 30, 2017	<u>\$ 8,807,393</u>	<u>\$ 2,725,759</u>	<u>\$ 2,081,963</u>	<u>\$ 13,615,115</u>

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part of the financial statements.

GUADALUPE CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 1,512,749
Depreciation	263,232
In-kind rent contribution	(30,233)
In-kind rent expense	80,425
Net gain on investments	(18,369)
Interest and dividends reinvested	(19,441)
Non-cash contributions of investments	(167,501)
Recovery of bad debt	(7,661)
Discount on unconditional promises to give	23,107
Changes in:	
Accounts receivable	2,620
Accounts receivable - other	(29,524)
Grants receivable	(31,797)
Interest receivable	2,310
Unconditional promises to give	(707,222)
Thrift shop inventory	(18,343)
Prepaid expenses	37,579
Deposits	(60)
Accounts payable and accrued expenses	52,070
Deferred revenue	(48,549)
Net cash provided by operating activities	895,392

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of certificates of deposit	(911,000)
Redemptions of certificates of deposit	806,000
Purchases of investments	(1,743,575)
Proceeds from sales of investments	174,934
Purchases of property and equipment	(133,809)
Net cash used by investing activities	(1,807,450)

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for long-term purposes	8,007
Net decrease in cash	(904,051)

CASH - October 1, 2016	2,252,799
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CASH AND CASH EQUIVALENTS - September 30, 2017	\$ 1,348,748
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NON-CASH INVESTING ACTIVITIES

Contributions of securities at fair market value	\$ 167,501
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GUADALUPE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services	General and Administrative	Fund Raising	Thrift Shop	Total
Salaries and wages	\$ 2,903,214	\$ 261,928	\$ 224,352	\$ 175,348	\$ 3,564,842
Contract services and fees	113,231	16,859	15,184	35,121	180,395
Payroll taxes and employee benefits	464,593	55,127	70,733	22,485	612,938
Total payroll related expenses	3,481,038	333,914	310,269	232,954	4,358,175
Bank and credit card fees	6,081	9,861	4,786	13,115	33,843
Depreciation	229,885	13,152	9,425	10,770	263,232
Donations and grants	22,535	2,017	1,237	-	25,789
Education	11,295	2,744	3,280	-	17,319
Student transportation	98,225	-	-	-	98,225
Food	167,206	2,898	3,396	833	174,333
Insurance	54,712	18,956	3,002	22,018	98,688
Office	57,378	8,792	23,178	1,656	91,004
Other	52,313	25,137	6,557	10,686	94,693
Professional fees	11,905	32,854	-	-	44,759
Promotional	20,764	341	7,242	11,675	40,022
Rent	19,721	7,257	64,445	115,697	207,120
Repairs and maintenance	147,158	29,589	35,402	18,313	230,462
Scholarships	289,918	-	-	-	289,918
Supplies	104,603	3,380	1,539	17,576	127,098
Telephone	10,611	3,643	1,168	1,157	16,579
Utilities	75,017	4,213	-	13,930	93,160
Vehicle	1,730	927	155	486	3,298
	\$ 4,862,095	\$ 499,675	\$ 475,081	\$ 470,866	\$ 6,307,717

Read Independent Auditor's Report.
The accompanying notes are an integral part of the financial statements.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - THE CENTER

Guadalupe Center, Inc. (the "Center") is a not-for-profit corporation organized on March 29, 1984, for the purpose of raising economic, educational and social levels of migrant and seasonal farm workers and other rural poor with interim help and long-term programs that support self-sufficiency and social change.

Program services include an early childhood educational facility, after-school tutoring, scholarship programs (including scholarships for high school volunteers of the tutoring program for one to four years of college), and other programs administered from various locations in Immokalee, Florida. The Center also operates a thrift store.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through February 20, 2018, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Center prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Investments

Investments in equity securities with readily determinable fair values and all investments in pooled funds are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The fair value of substantially all equity securities is determined by quoted market prices. The fair value of pooled funds with significant unobservable inputs is determined by a community foundation and is based on the allocation of the Center's investment in their general endowment fund. Gains or losses on equity securities sold are based on the specific identification method.

Grants Receivable

All receivables are considered collectible; therefore no allowance for uncollectible accounts has been recorded. Bad debt expense is recognized during the period in which a specific account is determined to be uncollectible. There was no bad debt expense for the year ended September 30, 2017.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of the estimated cash flows using a risk-free interest rate.

Additionally, the Center uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Bad debt losses are recognized during the period in which a specific promise to give is determined to be uncollectible. Recovery of bad debt was \$7,661 for the year ended September 30, 2017.

Thrift Shop Inventory

Inventory consists of clothing, household goods and furniture contributed to the thrift store for resale. Inventory is recorded at the lower of the fair market value at the time of donation or the estimated selling price.

Property and Equipment

Property and equipment purchased are recorded at cost. Donated assets are recorded at their fair market value at the time of donation. Additions and major renewals in excess of \$1,000 are capitalized. Depreciation is recognized using a straight-line basis over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to operations as incurred. See Note 9 for additional information.

Compensated Absences

The Center accumulates and records a liability for compensated absences accrued by employees. Unused personal time off has been accrued as a liability in the amount of \$89,737 for the year ended September 30, 2017, and is included in accounts payable and accrued expenses.

Income Taxes

Management has analyzed its various federal filing positions and believes that the Center's income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The Organization's federal income tax returns remain subject to examination by the Internal Revenue Service for three years from the date of filing.

The Center is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Center is a non-profit Florida corporation, and therefore, is not subject to state income taxes. Accordingly, no provision for income taxes has been made. The Center is not considered a private foundation within the meaning of Section 509(a) of the Code.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Substantially all of the Center's assets and liabilities, excluding prepaid expenses, land available for sale, property and equipment and deferred revenue, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument. Investments are valued based on the classification as further described in the investment policy above.

Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. At the time of receipt donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Support from federal grants is recorded based upon the terms of the grantor allotments, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred.

Early childhood education revenue is recorded and recognized monthly during the program period.

Thrift shop revenue is recorded when collected.

Donated Goods and Services

The fair value of goods donated to the Center's thrift store is not ascertainable at the time of donation; consequently, no income is recognized until the date of sale.

The fair value of contributed space is recorded as temporarily restricted when the Center initially enters into a lease allowing the free use of facilities. When the Center meets the time restrictions in the lease agreement, the proportionate amount of contribution is released from the temporary restriction.

Contributed services meeting the requirement for recognition in the financial statements are recorded at the fair market value of professional services rendered. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center with educational programs, fund raising activities and various committee assignments; however, no amounts have been reflected in the financial statements for donated services, as these services do not meet the criteria for recognition. The Center received more than 20,000 volunteer hours during the year ended September 30, 2017.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are reported in the period in which the expense is incurred.

Cash Flows

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents, excluding certificates of deposit.

The Center made no cash payments for income taxes or interest during the year ended September 30, 2017.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated based on an informal time study prepared by management.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Center maintains cash balances and certificates of deposit at various financial institutions. Accounts and certificates of deposit at the institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of September 30, 2017, the uninsured balance was \$257,609, based on the bank statement balances less the FDIC insurance. Cash and cash equivalents at investment services companies totaling \$21,150 as of September 30, 2017, are not insured by the FDIC.

NOTE 5 - INVESTMENTS

Investments consisted of marketable equity securities of \$40,407 and pooled funds of \$1,980,783 as of September 30, 2017.

The cost basis of Level 3 investments as of September 30, 2017, or agency funds maintained by the Southwest Florida Community Foundation ("SWFLCF") and the Community Foundation of Collier County ("CFCC") as further described in Note 12 and Note 13, respectively, cannot be determined.

GUADALUPE CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 5 - INVESTMENTS (Continued)

The following are the major categories of assets measured at fair value on a recurring basis during the year ended September 30, 2017, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total as of September 30, 2017
Equity securities	\$ 40,407	\$ -	\$ -	\$ 40,407
Pooled funds	-	-	1,980,783	1,980,783
	<u>\$ 40,407</u>	<u>\$ -</u>	<u>\$ 1,980,783</u>	<u>\$ 2,021,190</u>

Fair value measurements using significant unobservable inputs (Level 3) as of September 30, 2017:

Beginning balance	\$ 214,085
Purchases	1,743,575
Redemptions	(10,843)
Total gains or losses (realized/unrealized) included in earnings	30,346
Interest and dividends	8,534
Fees	(4,914)
Ending balance	<u>\$ 1,980,783</u>

The unrealized gains or losses are netted against realized gains or losses and are included in investment revenue on the statement of activities.

Investment revenue is summarized as follows for the year ended September 30, 2017:

Interest and dividends	\$ 57,548
Net realized losses	(3,400)
Net unrealized gain	21,769
	<u>\$ 75,917</u>

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of September 30, 2017:

Early Learning Coalition of SW Florida	\$ 16,945
Redlands Christian Migrant Association	15,224
State of Florida	47,959
	<u>\$ 80,128</u>

NOTE 7 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following as of September 30, 2017:

Unconditional promises to give	\$ 917,262
In-kind leases	<u>47,343</u>
Total unconditional promises to give	964,605
Less discounts to net present value	(28,597)
Less allowance for uncollectible promises to give	<u>(10,726)</u>
Net unconditional promises to give	<u>\$ 925,282</u>

Unconditional promises to give to be collected in less than one year are recorded at face value. Unconditional promises to give to be collected after one year are recorded at the present value using a discount rate of 2.33%.

Unconditional promises to give are scheduled to be received as follows as of September 30, 2017:

Less than one year	\$ 193,307
One to five years	750,560
More than five years	20,738
	<u>\$ 964,605</u>

NOTE 8 - LAND AVAILABLE FOR SALE

The Center purchased land with the intent to use for operations. During the year ended September 30, 2012 the Center made the determination to sell the land that was purchased instead of using it for operations. The land is being carried at cost, as it is lower than the estimated market value as of September 30, 2017.

GUADALUPE CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2017:

	Useful Lives		
Land	N/A	\$	22,559
Land improvements	N/A		144,658
Leasehold improvements	7-15 years		15,712
Buildings and improvements	7-40 years		7,550,070
Furniture and equipment	3-15 years		672,651
Vehicles	5 years		121,110
Playground	10 years		56,746
			8,583,506
Less: accumulated depreciation			(2,601,004)
		\$	5,982,502

Depreciation expense was \$263,232 for the year ended September 30, 2017.

NOTE 10 - DEFERRED REVENUE

As of September 30, 2017, deferred revenue consisted of \$54,459 of sponsorships for future special events and prepaid parent fees.

NOTE 11 - BOARD DESIGNATED NET ASSETS

The Board of Trustees (the "Board") has established an endowment fund to enable the growth and sustainability of the Center. The long range goal of the endowment fund is to provide income for various capital initiatives, including but not limited to new innovative programs and/or land and building. The Board has the option to withdraw up to 4% of the value of the endowment fund based on a three year rolling average of successive quarter end balances, determined as of the last day of the previous calendar year, in equal quarterly installments, at the recommendation of the Board. Income from the endowment fund may be used for normal operations and principle may be used to make the 4% withdrawal. Additional principal may be used for normal operations, at the discretion of the Board.

The Board has also established a contingency fund. Principal and interest from the contingency fund may be used to sustain normal operations of the Center should any shortfalls arise.

Board designated net assets consisted of the following as of September 30, 2017:

Endowment	\$	208,578
Contingency		717,564
		926,142
	\$	926,142

GUADALUPE CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 11 - BOARD DESIGNATED NET ASSETS (Continued)

The following is a table of the changes in board designated endowment net assets for the year ended September 30, 2017:

Board designated net assets, October 1, 2016	\$ 912,780
Contributions	<u>13,362</u>
Board designated net assets, September 30, 2017	<u>\$ 926,142</u>

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of September 30, 2017:

Temporarily restricted for purpose:	
Building fund	\$ 869,905
Scholarships	1,465,725
Development - planned giving	5,151
Early childhood education	62,991
Back to school shoes	48,625
Holiday gift shop	37,327
Thanksgiving in the Park	48,385
Hurricane relief - community	82,885
Thrift shop lease	<u>4,168</u>
Total temporarily restricted for purpose	<u>2,625,162</u>
Temporarily restricted for time:	
Building fund promises to give	48,472
In-kind leases	<u>38,874</u>
Total temporarily restricted for time	<u>87,346</u>
Endowment earnings	<u>13,251</u>
Total temporarily restricted net assets	<u>\$ 2,725,759</u>

Hurricane relief - community funds in the amount of \$82,885 were contributions collected by the Center to be used within the surrounding community for Hurricane Irma relief.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted endowment net assets as of September 30, 2017 consist of an endowment fund established to provide scholarships for students who were part of the Center's Tutor Corps Program and are enrolled as full-time students in a college or university pursuing an academic degree. Contributions to the endowment fund are subject to the donor's restriction that stipulate the original principal of the gift is to be held and invested by the Center indefinitely and income from the fund is to be expended to support scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Center has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Center, and (7) the Center's investment policies.

The Center has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide its scholarship fund with current income. Endowment assets are invested into pooled funds at CFCC. The Center seeks to build endowment assets through additional contributions. The Center has a policy of appropriating for distribution the endowment funds investment income that is not permanently restricted. The spending policy for the endowment will be the policy set forth and approved by the Board as in effect from time to time which is currently the 4% average of 12 rolling quarters of the value of the endowment fund.

GUADALUPE CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS (Continued)

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - October 1, 2016	\$ -	\$ -	\$ -	\$ -
Transfer	-	-	232,664	232,664
Contributions	-	-	1,849,299	1,849,299
Investment income	-	13,251	-	13,251
Balance - September 30, 2017	<u>\$ -</u>	<u>\$ 13,251</u>	<u>\$ 2,081,963</u>	<u>\$ 2,095,214</u>

NOTE 14 - AGENCY FUND

The Center is the beneficiary of an account from individual donations and an agency fund established by the Center, used for the support of the charitable or educational purposes of the Center, that are maintained by SWFLCF. The balance held by SWFLCF from individual donations for the year ended September 30, 2017 was \$61,352 and are not considered assets of the Center.

NOTE 15 - DONATED USE OF PROPERTY

The Center utilizes a facility owned by a family foundation for its thrift shop. The use of the facility has been granted to the Center for a term of three years with an option to purchase the property at any time during this period. The Center recognized the fair market value of the donated space, totaling \$30,233 as a temporarily restricted contribution during the year ended September 30, 2017. During the term of the lease a proportionate amount of the contribution will be recorded as released from temporary restriction. During the year ended September 30, 2017, \$57,001 of in-kind rent expense was recognized and fully released from restriction.

The Center has a lease agreement for office space. Under the terms of the lease, the Center is not responsible for rent payments, but is responsible for payment of its pro rata share of common area maintenance of the office complex. During the term of the lease a proportionate amount of the contribution will be recorded as released from temporary restriction. During the year ended September 30, 2017, \$24,774 of in-kind rent expense was recognized and \$38,874 remained temporarily restricted.

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NOTE 16 - OPERATING LEASES

The Center has various office equipment leases expiring during 2018 and one office equipment lease expiring during 2021.

Future minimum payments required under the terms of the operating leases are as follows:

<u>Years ending September 30,</u>	
2018	\$ 9,826
2019	5,146
2020	5,146
2021	3,178
	<u>\$ 23,296</u>

Lease expense was \$9,376 for the year ended September 30, 2017, and is included in repairs and maintenance.

NOTE 17 - DEFINED CONTRIBUTION PLAN

The Center has established a defined contribution plan (the "Plan") under Section 403(b) for eligible employees. Employees are eligible to participate in the Plan if they are 21 years of age and work at least 1,000 hours per year. The Center matches up to 3% of employee wages based upon the employee contributing up to 6% of their income. For the year ended September 30, 2017, the Center contributed \$43,801 in matching contributions which are included in employee benefits.

NOTE 18 - ECONOMIC DEPENDENCY

During the year ended September 30, 2017, the Center received approximately 10% and 12% of its total revenue from grants from the Naples Children & Education Foundation, Inc. and an individual donor, respectively.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2017, the Center decided to change its fiscal year end to June 30th. Accordingly, fiscal year 2018 will be the first year to have an end date on June 30th.

On November 17, 2017 the Center entered into a five year lease commencing on January 1, 2018 for facility space for its thrift shop.