

Financial Statements

MIRACLE OF LOVE, INC.

June 30, 2017 and 2016

MIRACLE OF LOVE, INC.

Financial Statements

June 30, 2017 and 2016

(With Independent Auditor's Report Thereon)

MIRACLE OF LOVE, INC.

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SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Steven J. Sheridan, CPA
Daniel M. Hinson, CPA

Independent Auditor's Report

The Board of Directors
Miracle of Love, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Miracle of Love, Inc., which comprise the statements of financial position as of June 30, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 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 Miracle of Love, Inc. as of June 30, 2017 and 2016, 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.

Other Matters

Our audit was performed for the purpose of forming an opinion on the financial statements of Miracle of Love, Inc., taken as a whole. The accompanying schedule of Expenditures of Federal Awards, is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2017, on our consideration of the Miracle of Love, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Miracle of Love, Inc.'s internal control over financial reporting and compliance.

Schater, Tschoy, Whitcomb, Mitchell & Shuilen, LLP

Maitland, Florida
October 11, 2017

MIRACLE OF LOVE, INC.

Statements of Financial Position

June 30, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ -	108,848
Accounts receivable	480,159	215,370
Other assets	4,795	3,795
Total current assets	<u>484,954</u>	<u>328,013</u>
Furniture and Equipment:		
Land	60,000	60,000
Building and building improvements	279,285	279,285
Furniture and equipment	70,586	47,930
Vehicles	31,132	-
Less: accumulated depreciation	<u>(71,837)</u>	<u>(64,025)</u>
Total assets	<u>\$ 854,120</u>	<u>651,203</u>

Liabilities and Net Assets

Current liabilities:		
Bank overdraft	\$ 8,621	-
Line of credit (note 3)	85,000	137,960
Accounts payable and accrued expenses	<u>115,067</u>	<u>56,180</u>
Total current liabilities	208,688	194,140
Capital lease obligation (note 4)	<u>11,647</u>	<u>-</u>
Total liabilities	220,335	194,140
Lease commitments (note 4)		
Unrestricted net assets	<u>633,785</u>	<u>457,063</u>
Total liabilities and net assets	<u>\$ 854,120</u>	<u>651,203</u>

See accompanying notes to financial statements

MIRACLE OF LOVE, INC.

Statements of Activities

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Support, grants and revenue:		
Support:		
Public support	\$ 66,673	5,000
Special events - net of direct benefit to donor costs of \$38,662 and \$30,189, respectively	<u>86,777</u>	<u>99,886</u>
Total Support	<u>153,450</u>	<u>104,886</u>
Grants:		
Department of Health and Human Services:		
Ryan White HIV/AIDS Treatment Extension Act		
Orange County Florida - Health Services Department		
Ryan White Part A Program:		
Medical Case Management (MCM)	303,110	213,917
Non-medical	136,626	68,948
Medical nutrition	<u>622</u>	<u>1,395</u>
	<u>440,358</u>	<u>284,260</u>
Centers for Disease Control and Prevention:		
CRCS/CTR	-	9,471
Perinatal Prevention	155,000	-
Extended Testing Initiative (ETI)	60,000	56,035
High Impact Prevention/Mpowerment 2 Project	<u>438,098</u>	<u>373,201</u>
	<u>653,098</u>	<u>438,707</u>
Department of Housing and Urban Development:		
City of Orlando:		
Housing Opportunities for Persons with AIDS		
Case Management	158,769	212,476
Deposit Assistance	66,588	31,702
Short and long-term rental assistance	342,772	187,409
Short-term emergency	<u>8,149</u>	<u>-</u>
	<u>576,278</u>	<u>431,587</u>
Total Grants	<u>1,669,734</u>	<u>1,154,554</u>
Total Support and Grants	<u>1,823,184</u>	<u>1,259,440</u>
Revenue:		
Interest income	58	28
Rental income	5,325	8,046
Project AIDS Care - PAC	375,300	315,630
Other income	<u>10,867</u>	<u>1,857</u>
Total Revenue	<u>391,550</u>	<u>325,561</u>
Total Support and Revenue	<u>2,214,734</u>	<u>1,585,001</u>
Expenses:		
Program Services	1,699,243	1,386,706
Supporting Services:		
Management and General	325,758	295,718
Fund Raising	<u>13,011</u>	<u>12,685</u>
Total Expenses	<u>2,038,012</u>	<u>1,695,109</u>
Change in net assets	176,722	(110,108)
Net assets, beginning of year	<u>457,063</u>	<u>567,171</u>
Net assets, end of year	<u>\$ 633,785</u>	<u>457,063</u>

See accompanying notes to financial statements

MIRACLE OF LOVE, INC.

Statements of Functional Expenses

Years ended June 30, 2017 and 2016

	Supporting Services				Supporting Services			
	Program Services	Management and General	Fund Raising	2017 Total Expenses	Program Services	Management and General	Fund Raising	2016 Total Expenses
Salaries and wages	\$ 845,369	200,775	10,567	1,056,711	766,048	181,936	9,575	957,559
Employee benefits	122,049	28,987	1,526	152,562	110,738	26,300	1,384	138,422
Payroll processing fees	1,371	326	17	1,714	2,006	477	25	2,508
Payroll taxes	72,054	17,113	901	90,068	65,134	15,469	814	81,417
Office supplies	25,716	6,429	-	32,145	13,063	3,266	-	16,329
Telephone	26,682	6,671	-	33,353	27,037	6,759	-	33,796
Postage and shipping	1,213	303	-	1,516	1,554	388	-	1,942
Occupancy costs	72,185	18,046	-	90,231	78,498	19,625	-	98,123
Specific client assistance	410,022	-	-	410,022	223,304	-	-	223,304
Program incentives	28,171	-	-	28,171	4,139	-	-	4,139
Fundraising costs	-	-	-	-	-	-	887	887
Equipment rental and maintenance	25,582	6,396	-	31,978	25,067	6,267	-	31,334
Printing and publications	621	-	-	621	67	-	-	67
Travel and meals	14,737	-	-	14,737	10,836	-	-	10,836
Conferences and meetings	2,957	-	-	2,957	-	-	-	-
Insurance	8,180	2,045	-	10,225	8,138	2,034	-	10,172
Accounting, legal and consulting fees	8,382	33,306	-	41,688	-	25,980	-	25,980
Licenses and permits	828	-	-	828	3,711	-	-	3,711
Other expenses	15,195	3,799	-	18,994	22,729	5,682	-	28,411
Advertising and promotions	5,917	-	-	5,917	11,281	-	-	11,281
Interest and bank charges	5,762	-	-	5,762	7,217	-	-	7,217
Total expenses before interest, depreciation and losses	1,692,993	324,196	13,011	2,030,200	1,380,567	294,183	12,685	1,687,435
Depreciation	6,250	1,562	-	7,812	6,139	1,535	-	7,674
Total expenses	\$ 1,699,243	325,758	13,011	2,038,012	1,386,706	295,718	12,685	1,695,109

See accompanying notes to financial statements

MIRACLE OF LOVE, INC.

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Change in net assets	\$ 176,722	(110,108)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,812	7,674
Changes in operating assets and liabilities:		
Accounts receivable	(264,789)	17,327
Accounts payable and accrued expenses	58,887	9,866
Bank overdraft	8,621	-
Other assets	(1,000)	-
Cash used in operating activities	<u>(13,747)</u>	<u>(75,241)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(42,141)</u>	<u>(4,087)</u>
Cash used in investing activities	<u>(42,141)</u>	<u>(4,087)</u>
Cash flows from financing activities:		
Net borrowings (repayment) on line of credit	<u>(52,960)</u>	<u>51,000</u>
Cash provided by (used in) financing activities	<u>(52,960)</u>	<u>51,000</u>
Change in cash and cash equivalents	(108,848)	(28,328)
Cash and cash equivalents at beginning of year	<u>108,848</u>	<u>137,176</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>108,848</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 5,347</u>	<u>\$ 5,005</u>

Supplemental disclosure of non-cash financing and investing activities:
During the year ended June 30, 2017, the Organization entered into a capital lease for office equipment in the amount of \$11,647.

See accompanying notes to financial statements

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(1) **Organization**

Miracle of Love, Inc. (the Organization) was formed in June 1997 under the laws of the State of Florida. The Organization received a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code in June 1998. The mission of Miracle of Love, Inc. is to provide comprehensive, multicultural HIV/AIDS care, education and prevention services that are effective and responsive to the Central Florida communities.

(2) **Summary of Significant Accounting Policies**

(a) **Basis of Presentation**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

These financial statements are prepared on an entity wide basis, focusing on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of or for the year ended June 30, 2017.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. There were no temporarily restricted net assets as of or for the year ended June 30, 2017.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The Organization reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Under generally accepted accounting principles, contributions are generally recognized as revenue when the gift is made and are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the presence or absence and type of donor imposed restrictions or conditions.

(Continued)

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(2) Summary of Significant Accounting Policies (Continued)

(a) Basis of Presentation (Continued)

The Organization's resources as presented on the statements of activities and changes in net assets include support and revenue. Support such as public support, contributions and grants are unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity. Revenue consists of fees earned for the performance of Organization services, investment income consisting of interest, gains or losses from activities that are peripheral or incidental to the Organization and are reported net, rental income and other income.

Support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses are reported as decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Contributions, including unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue in the period made or received. Pledges are recorded as unconditional promises to give and temporarily restricted net assets in the period that notification is received. Pledges are discounted, using a market discount rate, to present value for collections expected in future years. Accretion of the discount in subsequent years is also recorded as contribution revenue. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Organization also receives indications of intent to support, which are commitments that are open-ended and subject to unilateral change by the donor. The amounts are not measurable since the commitments do not express a term or period. Thus, they are not considered to be unconditional promises to give and are not recognized prior to the receipt of the contribution.

(Continued)

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(2) Summary of Significant Accounting Policies (Continued)

(a) Basis of Presentation (Continued)

Contributions of assets, materials, and use of facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. In addition, the Organization receives contributed time related to various program services. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills.

Contributed services are recorded in the financial statements as an asset or expense and revenue related to the service. For the year ended June 30, 2017, the Organization received no in-kind contributions of assets, materials, use of facilities or services.

A substantial number of unpaid volunteers have donated significant amounts of their time to the Organization's program operations, fundraising campaigns, and administrative services. However, due primarily to the nature of the services provided, they have not been reflected in the accompanying financial statements.

(b) Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

(c) Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts and are recorded net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management based on the Organization's prior years' experience and a review of the current status of the existing receivables. Adjustments to the allowance for doubtful accounts are recorded to an expense account. When management determines that a receivable is uncollectible, it is removed from accounts receivable and is charged to the allowance for doubtful accounts.

(Continued)

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(2) **Summary of Significant Accounting Policies (Continued)**

(d) **Property and Equipment**

Property and equipment are stated at cost (for those items purchased) and fair market value at date of receipt (for those items donated). All property expenditures in excess of \$500 are capitalized and expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets:

<u>Asset</u>	<u>Life</u>
Building and building improvements	7 to 40 years
Furniture and office equipment	3 to 7 years

(e) **Income Taxes**

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with “Income Taxes” FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2017, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization’s income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2014 to 2016 are open to examination by federal authorities.

(Continued)

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(2) **Summary of Significant Accounting Policies (Continued)**

(f) **Use of Estimates**

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

(g) **Fair Value of Financial Instruments, Concentration of Business and Credit Risks**

The Organization's financial instruments are cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses and a line of credit.

The recorded values of cash and cash equivalents, accounts receivable, other assets and accounts payable and accrued expenses approximate fair value based on their short term nature.

The carrying amount reported in the accompanying statement of financial position for the line of credit approximates fair value because actual interest rates do not significantly differ from current rates offered for instruments with similar characteristics.

The Organization has a single mission in a limited geographic region subjecting the Organization to risks of changes in the demographics of its target area.

Substantially all of the Organization's support is received directly or from pass-through entities that manage federal grants. There is a risk that grant funds will not be available in the future to support aids service and prevention or, if grants are available, that the Organization may not be the recipient of sufficient funds to continue operations.

Grants and contracts receivable arise as a result of agreements with third parties to provide specified services. The grants and contracts are monitored on a monthly basis and are not collateralized.

The Organization maintains its cash in a deposit account at a financial institution which is insured up to \$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). As of June 30, 2017, there were no amounts in excess of the federally insured deposit limit.

(Continued)

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(2) **Summary of Significant Accounting Policies (Continued)**

(h) **Functional Allocation of Expenses**

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated by the Organization's management among the programs and supporting services benefited. These costs are allocated by the Organization's management based upon actual time involved and a percentage of assets utilized.

(i) **Fair Value Measurements**

The Organization has adopted accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the three categories listed below.

These accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair measurements. The adoption of the accounting standards did not impact the Committee's financial position or results of operations.

Fair value is defined under "Fair Value Measurements and Disclosures," FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 - quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 - quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 - unobservable and significant to the fair value measurement of the asset or liability.

(Continued)

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(2) Summary of Significant Accounting Policies (Continued)

(i) Fair Value Measurements (Continued)

At June 30, 2017, the Organization had no financial instruments that require additional disclosure.

(j) Long-Lived Assets

The Organization follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired.

In accordance with “Property, Plant and Equipment – Impairment or Disposal of Long-Lived Assets,” FASB Accounting Standards Codification Topic 360 (Topic 360), long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying financial statements related to long-lived assets.

(k) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through October 11, 2017, which is the date the financial statements were available to be issued.

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(3) Line of Credit

The Organization has a line of credit agreement (the “Agreement”), providing up to \$200,000 of borrowings. The agreement provides for interest to be payable monthly at the prime rate plus .75% (5.00% at June 30, 2017), but no less than 4.5%, and is collateralized by a blanket lien on all assets. The outstanding balance at June 30, 2017 and 2016 was \$85,000 and \$137,960, respectively.

(4) Leases

The Organization leases its corporate offices under a lease that expires October 2017. The lease is accounted for as an operating lease. Rent consists of an annual base rent plus common area expenses and totaled approximately \$58,000 each year for the years ended June 30, 2017 and 2016.

The Organization leases office space for case management for the Ryan White Program in Lake County, Florida that expires April 2018. The lease is accounted for as an operating lease. Rent is determined on an annual basis and totaled approximately \$17,000 and \$16,000 for the years ended June 30, 2017 and 2016, respectively. The Organization subleased this location for approximately \$5,000 and \$8,000 for the years ended June 30, 2017 and 2016, respectively.

The Organization leases office space for case management for the Ryan White Program in Kissimmee, Florida that expires October 2017. The lease is accounted for as an operating lease. Rent is determined on an annual basis and totaled approximately \$6,000 in each of the years ended June 30, 2017 and 2016.

The Organization leased an RV on a daily basis for HIV/AIDS testing. Rent totaled approximately \$4,500 and \$8,000 for the years ended June 30, 2017 and 2016, respectively.

The Organization has various month-to-month operating leases that totaled approximately \$1,000 and \$5,000 for the years ended June 30, 2017 and 2016, respectively.

(Continued)

MIRACLE OF LOVE, INC.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

(4) Leases (Continued)

Future minimum rent required by all operating leases and capital leases with non-cancelable initial or remaining lease terms in excess of one year as of June 30, 2017 are summarized in the following table:

<u>For the year ended June 30:</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2018	\$ 4,300	37,000
2019	4,300	1,000
2020	4,300	-
Total minimum lease payments	12,900	
Less amounts representing interest at 6.5%	<u>(1,200)</u>	
Present value of net minimum lease payments	<u>\$ 11,700</u>	

SUPPLEMENTAL DATA

Schedule of Expenditures of Federal Awards

MIRACLE OF LOVE, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Agency/Program Title	Federal CFDA Number	Contract Number	Pass-through Grantor	Periods of Awards	Amount of Award	Federal Expenditures
Department of Health and Human Services:						
HIV Emergency Relief Project Grants, Part A of the Ryan White HIV/AIDS Treatment Extension Act of 2009	93.914	Y15-154I-DG	(1)	3/1/16-2/28/17	269,920	\$ 180,304
	93.914	Y15-154I-DG	(1)	3/1/17-2/28/18	298,182	123,428
	93.914	Y16-149D-DG	(1)	3/1/16-2/28/17	154,758	104,905
	93.914	Y16-149D-DG	(1)	3/1/17-2/28/18	163,920	<u>31,721</u>
						<u>440,358</u>
HIV Prevention Activities - Health Department Based Centers for Disease Control and Prevention High Impact Prevention	93.940	CODHF	(2)	1/1/16-12/31/16	323,000	<u>172,950</u>
Extended Testing Initiative	93.940	OA-191	(2)	1/1/16-12/31/16	60,000	30,000
	93.940	OA-191	(2)	1/1/17-12/31/17	60,000	<u>30,000</u>
						<u>60,000</u>
Mpowerment 2 Project	93.940	CODFM	(2)	7/1/15 - 12/31/16	150,000	<u>53,648</u>
High Impact Prevention/Mpowerment 2 Project	93.940	CODNK	(2)	1/1/17-12/31/17	423,000	<u>211,500</u>
HIV Perinatal Prevention	93.940	CODLV	(2)	7/1/16-6/30/17	155,000	<u>155,000</u>
						<u>653,098</u>
Subtotal - Department of Health and Human Services						<u>\$ 1,093,456</u>
Department of Housing and Urban Development:						
Housing Opportunities for Persons with AIDS	14.241	FY15-16	(3)	10/1/15-9/30/16	425,227	\$ 116,072
	14.241	Y17-609	(3) (1)	10/1/16-9/30/17	600,003	<u>460,206</u>
						<u>576,278</u>
Subtotal - Department of Housing and Urban Development						<u>\$ 576,278</u>
Total Federal Awards						<u>\$ 1,669,734</u>

Key to Pass-Through Entity Identification:

- (1) Orange County Florida - Health Services Department
- (2) State of Florida - Department of Health
- (3) City of Orlando

MIRACLE OF LOVE, INC.

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Miracle of Love, Inc., under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Miracle of Love, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Miracle of Love, Inc.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Steven J. Sheridan, CPA
Daniel M. Hinson, CPA

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Miracle of Love, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Miracle of Love, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Miracle of Love, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Miracle of Love, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Miracle of Love, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Miracle of Love, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schatz, Tschoy, Whitcomb, Mitchell & Shuiken, LLP

Maitland, Florida
October 11, 2017

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Miracle of Love, Inc.

Report on Compliance for Each Major Federal Program

We have audited Miracle of Love, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Miracle of Love, Inc.'s major federal programs for the year ended June 30, 2017. Miracle of Love, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Miracle of Love, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Miracle of Love, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Miracle of Love, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Miracle of Love, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Miracle of Love, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Miracle of Love, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Miracle of Love, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schatz, Tschoff, Whitcomb, Mitchell & Shulman, LLP

Maitland, Florida
October 11, 2017

Miracle of Love, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

I. Summary of the Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Miracle of Love, Inc.
2. No significant deficiencies or material weaknesses were disclosed during the audit of compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.
3. No instances of noncompliance material to the financial statements of Miracle of Love, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of compliance with requirements applicable to each major program and internal control over compliance in accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major Federal award programs for Miracle of Love, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal award program for Miracle of Love, Inc. that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was:

Department of Housing and Urban Development CFDA #14.241 - Housing Opportunities for Persons with AIDS
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The auditee did qualify as a low-risk auditee.

II. Financial Statement Findings

1. No matters reported.

Miracle of Love, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

III. Findings and Questioned Costs – Major Federal Programs

None

V. Other Issues

No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal programs. No Corrective Action Plan is required because there were no findings required to be reported under the Federal Single Audit Act.