

MOURNING FAMILY FOUNDATION, INC.

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

MOURNING FAMILY FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mourning Family Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Mourning Family Foundation, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows 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 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 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 Mourning Family Foundation, Inc. as of June 30, 2014, 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.

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Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, Rules of the Auditor General of the State of Florida, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 our report dated December 23, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 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 the Organization's internal control over financial reporting and compliance.



Miami, Florida
December 23, 2014

MOURNING FAMILY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Cash	\$	283,344
Grant and other receivables		461,484
Prepaid expenses		32,153
Due from affiliates		156,675
Property and equipment, net		<u>1,561</u>
TOTAL ASSETS	\$	<u>935,217</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	98,619
Due to affiliates		419,741
Line of credit		<u>100,000</u>
TOTAL LIABILITIES		618,360
NET ASSETS, UNRESTRICTED		<u>316,857</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>935,217</u>

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

MOURNING FAMILY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

UNRESTRICTED NET ASSETS:

REVENUES

Grant	\$	742,461
Contributions		695,713
In-kind		127,500
Interest and other income		67

TOTAL REVENUES		<u>1,565,741</u>
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EXPENSES

Program services		758,858
Management and general		239,053
Fundraising		196,988

TOTAL EXPENSES		<u>1,194,899</u>
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CHANGE IN UNRESTRICTED NET ASSETS		370,842
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UNRESTRICTED NET DEFICIT, BEGINNING OF YEAR		<u>(53,985)</u>
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UNRESTRICTED NET ASSETS, END OF YEAR	\$	<u>316,857</u>
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The accompanying notes are an integral part of these financial statements.

MOURNING FAMILY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PERSONNEL COSTS				
Salaries	\$ 36,889	\$ 122,765	\$ 109,797	\$ 269,451
Payroll taxes and other personnel costs	<u>3,511</u>	<u>11,686</u>	<u>10,451</u>	<u>25,648</u>
Total personnel costs	40,400	134,451	120,248	295,099
OPERATING EXPENSES				
Professional fees - other	5,000	41,928	33,668	80,596
Advertising and promotion	-	3,155	6,187	9,342
Office expenses	-	226	-	226
Information technology	-	5,481	107	5,588
Occupancy	-	11,696	-	11,696
Travel	1,231	9,418	6,127	16,776
Conferences and meetings	176	2,600	3,054	5,830
Interest	-	6,355	-	6,355
Depreciation	-	158	-	158
Insurance	6,733	16,690	11,877	35,300
Fees and memberships	84	4,069	5,867	10,020
Program event catering	1,089	2,826	3,484	7,399
Gifts	6,286	-	2,127	8,413
Production	753	-	1,167	1,920
Talent expense	-	-	75	75
Subrecipient expenditures and other	<u>697,106</u>	<u>-</u>	<u>3,000</u>	<u>700,106</u>
Total expenses	<u>\$ 758,858</u>	<u>\$ 239,053</u>	<u>\$ 196,988</u>	<u>\$ 1,194,899</u>

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

MOURNING FAMILY FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in unrestricted net assets	\$ 370,842
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation	158
Forgiveness of related party loan	82,750
Changes in operating assets and liabilities:	
Grant and other receivables	(461,484)
Prepaid expenses	(32,153)
Due from affiliates	(156,675)
Accounts payable and accrued expenses	198,747
TOTAL ADJUSTMENTS	(368,657)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,185
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(1,719)
NET CASH USED IN INVESTING ACTIVITIES	(1,719)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from line of credit	100,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	100,000
NET INCREASE IN CASH	100,466
CASH - BEGINNING OF YEAR	182,878
CASH - END OF YEAR	\$ 283,344
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	\$ 6,355

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

MOURNING FAMILY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

1. ORGANIZATION

Mourning Family Foundation, Inc. ("MFF" or the "Organization"), formerly known as Alonzo Mourning Charities, Inc., is a non-profit organization established and incorporated in the State of Florida in March 2001, as a 501 (c)(3) organization. MFF's mission is to encourage the educational development of youth by creating programs and youth enrichment centers that promote positive change in low socioeconomic communities. The major programs established include Zo's Summer/Winter Groove and other program events and activities in and outside the South Florida area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Net assets which are free of donor-imposed restrictions; all revenues, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted – Net assets where the use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. There were no temporarily restricted net assets as of June 30, 2014.

Permanently Restricted – Net assets where the use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There were no permanently restricted net assets as of June 30, 2014.

Risk and Uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits and grant and other receivables. The Organization limits its exposure by placing its deposits with quality financial institutions. At times, such balances may be in excess of the insurance limits of the FDIC. The Organization has not experienced losses in such accounts.

Grant and other receivables credit risk is limited due to the nature of the receivables. The Organization regularly monitors its receivables by investigating delayed payments and differences when payments received do not conform to the amount billed. The Organization considers all receivables collectible.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Cash

Cash includes cash held in checking accounts.

Property and Equipment, Net

Property and equipment is recorded at cost at the date of purchase. The estimated useful life of property and equipment is five years. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Repairs and maintenance costs are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are credited or charged to operations.

MOURNING FAMILY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenues

Revenues from grants is recorded based upon terms of the grant agreement which generally provide that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the allowable services are provided to program participants.

Grant receivables are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is based on management's review of the collectability of receivables. No allowance for doubtful accounts was considered necessary as of June 30, 2014.

The Organization received a grant from the State of Florida and Department of Education during the year ended June 30, 2014. This grant accounted for 96% of grant and other receivables at June 30, 2014 and 47% of total revenues for the year ended. The loss of this funding source could have an adverse impact on the Organization.

Any funding source may, at its discretion, request return of funds as a result of non-compliance with the terms of the grant. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Functional Expenses

The cost of providing the various services and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been charged to program services or management and general expenses based on a combination of specific identification and allocation by management.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for income taxes has been recorded. Management has determined that there was no unrelated business income for the year ended June 30, 2014.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction is the major tax jurisdiction where the Organization files informational tax returns. The Organization is generally no longer subject to U.S. Federal examinations by tax authorities for years before 2011.

In-kind Contributions

MFF records the value of donated goods when there is an objective basis available to measure the value. Donated items are reflected as support in the financial statements at their fair market values at date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by MFF. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Subsequent Events

The Organization has evaluated subsequent events through December 23, 2014, which is the date the financial statements were available to be issued.

MOURNING FAMILY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

3. RELATED PARTIES

MFF shares common charitable goals and jointly coordinates a number of charitable programs with Overtown Youth Center, Inc. ("OYC") and Honey Shine, Inc. ("HS"), both Florida non-profit organizations exempt from Federal income tax as a 501 (c) (3). On July 1, 2009, the Board of Directors of both organizations deemed that it was in the best interests of both MFF and OYC to further its charitable purposes by implementing a centralized organizational structure with respect to such joint charitable goals and programs by amending OYC's Articles of Incorporation to convert OYC into a membership organization with MFF as the sole member thereof. A similar conversion was made for HS in September 2010.

Related party transactions are reflected in the Statement of Financial Position as "Due to Affiliates" and "Due from Affiliates". These expenses generally consist of administrative costs, scholarship/grant funding and other general expenses for reimbursement. As of June 30, 2014, the net amount due (to) from affiliates were as follows:

Honey Shine	\$ 43,134
Overtown Youth Center	(294,200)
ZFFL	(12,000)
	<u>\$ (263,066)</u>

During fiscal year 2012, MFF received a loan from a related party totaling \$342,000. Through the year ended June 30, 2014, MFF repaid \$259,250. The related party forgave the remaining balance as of June 30, 2014. Thus, the \$82,750 is reflected as contribution revenue in the Statement of Activities.

4. GRANT AND OTHER RECEIVABLES

Grant and other receivables consist of the following at June 30, 2014:

State of Florida Department of Education	\$ 441,484
Other	20,000
	<u>\$ 461,484</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30, 2014:

Property and equipment	\$ 44,475
Less: accumulated depreciation	(42,914)
	<u>\$ 1,561</u>

Depreciation expense for the year ended June 30, 2014 was \$158.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2014:

Accounting fees	\$ 17,500
Payroll	10,906
Other	70,213
	<u>\$ 98,619</u>

MOURNING FAMILY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

7. LINE OF CREDIT

In November 2013, the Organization's line of credit with a maximum borrowing amount of \$150,000 matured and was renewed through November 2015. At June 30, 2014 the interest rate was 9.25%. In November 2014 the interest rate was modified to the financial institution's prime rate plus 1.75%. The line of credit is secured by accounts receivable and property and equipment. At June 30, 2014, there was \$100,000 outstanding on the line of credit. Total interest expense for the year ended June 30, 2014 was \$6,355.

8. COMMITMENTS AND CONTINGENCIES

Grants

The Organization participates in state grant assistance programs. Amounts received and expended under the various programs are subject to audits by governmental agencies and/or other agencies to determine if activities undertaken by the Organization comply with conditions of the grant. Management believes that no material liability will arise from any such audits.

Operating Leases

The Organization leases operating facilities on a month to month basis. Rent expense for the year ended June 30, 2014 is shared with Honey Shine. The MFF portion was approximately \$6,000.

The Organization also leases office equipment under a non-cancelable lease. Rent expense under the operating lease is shared between MFF and its affiliates. The related MFF expense was approximately \$800 for the year ended June 30, 2014. The lease expires August 2019. Total future minimum commitment under this lease is approximately \$8,100 for the next five years.

Litigation

The Organization may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial statements or results of operations.



**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
Mourning Family Foundation, Inc.

We have audited, in accordance with the 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 Mourning Family Foundation, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 the Organization's financial statements are free from 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*.

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.

Morrison, Brown, Argiz & Farra

Miami, Florida
December 23, 2014

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SINGLE AUDIT REPORT AND SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR A MAJOR STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors
Mourning Family Foundation, Inc.

Report on Compliance for a Major State Project

We have audited Mourning Family Foundation, Inc.’s (the “Organization”) compliance with the types of compliance requirements described in Chapter 10.650, Rules of the Auditor General of the State of Florida that could have a direct and material effect on the Organization’s major state project for the year ended June 30, 2014. The Organization’s major state project is 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 state project.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Organization’s major state project 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 Chapter 10.650, Rules of the Auditor General of the State of Florida. Those standards and Chapter 10.650 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 state project occurred. An audit includes examining, on a test basis, evidence about the Organization’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 a major state project. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization’s internal control over compliance with the types of requirements that could have a direct and material effect on a major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, 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 the Organization’s internal control over compliance.

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To the Board of Directors
Mourning Family Foundation, Inc.
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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 state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project 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 state project 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 Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Monison, Brown, Aziz & Fana

Miami, Florida
December 23, 2014

MOURNING FAMILY FOUNDATION, INC.

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Agency/ Pass-through Entity</u>	<u>CSFA Number</u>	<u>Contract Award Number</u>	<u>Expenditures</u>
State of Florida and Department of Education Family and community outreach	48.068	92C-90715-4P001	\$ 742,461
Total State of Florida Department of Education			<u>\$ 742,461</u>
Total Expenditures of State Financial Assistance			<u>\$ 742,461</u>

See accompanying notes to schedule of expenditures of state financial assistance.

MOURNING FAMILY FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

1. GENERAL

The accompanying Schedule of Expenditures of State Financial Assistance presents the activity of all state grants of Mourning Family Foundation, Inc. during the year ended June 30, 2014.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of State Financial Assistance is presented using the accrual basis of accounting.

3. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General of the State of Florida.

4. ALLOCATION OF EXPENDITURES

Expenditures are invoiced in accordance with the budget as approved by The Department of Education. As The Department of Education grant has a cost reimbursement payment method, expenditures are allocated to the grant based on specific identification of costs to the grant related programs.

5. RECEIVABLE FROM THE DEPARTMENT OF EDUCATION

At June 30, 2014, the March and June 2014 quarterly invoices were due from the Department of Education.

6. TRANSFERS TO SUBRECIPIENTS

For the year ended June 30, 2014, Mourning Family Foundation transferred \$697,106 of the total grant funds received to affiliates, Overtown Youth Center, Inc. and Honey Shine, Inc.

MOURNING FAMILY FOUNDATION, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

State Financial Assistance

Internal control over major projects:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650? _____ Yes X No

Identification of major state projects:

<u>CSFA Number</u>	<u>Name of State Project</u>
48.068	Family and community outreach

Dollar threshold used to distinguish between Type A and Type B projects: \$ 222,738

MOURNING FAMILY FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None.

PRIOR YEAR FINDINGS

None.

SECTION III – STATE PROJECTS FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS

None.

PRIOR YEAR FINDINGS

None.

MOURNING FAMILY FOUNDATION

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AND
MANAGEMENT LETTER COMMENTS
JUNE 30, 2014

December 23, 2014

To the Board of Directors
Mourning Family Foundation
100 S Biscayne Blvd, 3rd Floor
Miami, Florida 33131

We have audited the financial statements of Mourning Family Foundation ("MFF" or the "Organization") for the year ended June 30, 2014, and have issued our report thereon dated December 23, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 12, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates that are particularly sensitive to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Additionally, there were reclassification adjustments made in conjunction with the audit. The following is a summary of adjustments posted as a result of audit procedures:

Increase in net assets at beginning of audit	<u>\$ 400,111</u>
To adjust accounts receivable	(80,547)
To record audit & tax fee accrual	(17,500)
To record Alonzo Mourning forgiveness of payable	82,750
To accrue payroll and professional fees	(13,657)
Other adjustments	<u>(315)</u>
Net adjustment	<u>(29,269)</u>
Increase in net assets at end of audit	<u>\$ 370,842</u>

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 23, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of MFF, as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 entity's consolidated 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted other matters that are opportunities for strengthening internal controls and operating efficiency as listed below.

Observation:

We noted that proper documentation was not maintained in some instances for credit card charges, scholarships awarded to students, wire transfers/deposits and other vendor payments. Additionally, the check requisition process is very informal (verbal usually), therefore, evidence of prior approval before posting and check runs were not available; however, MBAF notes that all checks are reviewed and signed by the President. Additionally, payroll runs were approved verbally without signature approval on payroll reports. Finally, there is no formal journal entry system.

Recommendation:

Efforts should be made to improve the accounting process, including recordkeeping, to create a support structure that is sufficient to provide timely financial information throughout the year, not only during the audit. Orderly accounting records and supporting document files should be maintained on a consistent basis so that this information is readily available. Financial statements should be well supported by the corresponding backup information included in these records. With the help of the now contracted CPA, MFF should develop more formal requisition and GL coding system to strengthen the accounting process.

Observation:

During our audit, we noted MFF did not maintain a detailed schedule of the balances in property and equipment. While a large portion of the recorded property and equipment is fully depreciated, assets could be potentially misappropriated without the proper records being maintained and controls in place. Also, any obsolete property or property with no value should be properly removed from the books and records.

Recommendation:

To address this situation, we recommend that MFF perform an inventory of all property and equipment currently in use. We further suggest that MFF prepare a detailed schedule that supports the cost, book value, and depreciation schedule for each item and delete all obsolete or unidentified assets. This schedule should then be maintained on a current basis.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Mourning Family Foundation, Inc. for the opportunity to be of service. If we can be of any further assistance, please do not hesitate to contact us.