

CUBAN CLUB FOUNDATION, INC.

FINANCIAL STATEMENTS
December 31, 2018

CUBAN CLUB FOUNDATION, INC.

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PRIDA, GUIDA & PEREZ, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
1106 N. FRANKLIN STREET
TAMPA, FLORIDA 33602

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cuban Club Foundation, Inc.
Tampa, Florida

We have audited the accompanying financial statements of Cuban Club Foundation, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, 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.

Auditors' 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 previously, present fairly, in all material respects, the financial position of Cuban Club Foundation, Inc. as of December 31, 2018, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Cuban Club Foundation, Inc. taken as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Rules of the State of Florida Auditor General*, 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 supplementary 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 September 27, 2019, on our consideration of the Foundation'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 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 Cuban Club Foundation, Inc.'s internal control over financial reporting and compliance.



Prida, Guida & Perez, P.A.
Certified Public Accountants
September 27, 2019

CUBAN CLUB FOUNDATION, INC.
Statement of Financial Position
December 31, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
ASSETS			
Current assets			
Cash	\$ 328,744	\$ -	\$ 328,744
Accounts receivable, net	3,150	-	3,150
Inventory	8,860	-	8,860
Prepaid assets	8,526	-	8,526
Total current assets	<u>349,280</u>	<u>-</u>	<u>349,280</u>
Non-current assets			
Property and equipment, net	4,131,837	-	4,131,837
Beneficial interest in assets held by others	-	117,174	117,174
Deposits	2,896	-	2,896
Total non-current assets	<u>4,134,733</u>	<u>117,174</u>	<u>4,251,907</u>
Total assets	<u>\$ 4,484,013</u>	<u>\$ 117,174</u>	<u>\$ 4,601,187</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$ 6,155	\$ -	\$ 6,155
Deferred revenue	101,873	-	101,873
Current portion of long-term debt	417,809	-	417,809
Customer deposits	5,487	-	5,487
Total current liabilities	<u>531,324</u>	<u>-</u>	<u>531,324</u>
Long-term debt, less current portion	<u>84,222</u>	<u>-</u>	<u>84,222</u>
Total liabilities	<u>615,546</u>	<u>-</u>	<u>615,546</u>
Net assets			
Net assets without donor restrictions	3,868,467	-	3,868,467
Net assets with donor restrictions	-	117,174	117,174
Total net assets	<u>3,868,467</u>	<u>117,174</u>	<u>3,985,641</u>
Total liabilities and net assets	<u>\$ 4,484,013</u>	<u>\$ 117,174</u>	<u>\$ 4,601,187</u>

Read accompanying notes to financial statements.

CUBAN CLUB FOUNDATION, INC.

Statement of Activities

Year Ended December 31, 2018

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenues, (Losses) and Other Support			
Contributions	\$ 39,443	\$ -	\$ 39,443
Event rentals	156,093	-	156,093
Grants	2,305,328	-	2,305,328
Insurance proceeds, net	1,030,343	-	1,030,343
Investment loss	-	(9,908)	(9,908)
Other income	38,271	-	38,271
Transfer from net assets with donor restrictions to net assets without donor restrictions	5,191	(5,191)	-
	<u>3,574,669</u>	<u>(15,099)</u>	<u>3,559,570</u>
 Expenses			
Program services	273,962	-	273,962
Management and general	31,558	-	31,558
	<u>305,520</u>	<u>-</u>	<u>305,520</u>
 Change in net assets	3,269,149	(15,099)	3,254,050
 Net assets, beginning of year	<u>599,318</u>	<u>132,273</u>	<u>731,591</u>
 Net assets, ending of year	<u>\$ 3,868,467</u>	<u>\$ 117,174</u>	<u>\$ 3,985,641</u>

Read accompanying notes to financial statements.

CUBAN CLUB FOUNDATION, INC.

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 3,254,050
Adjustments to reconcile change in net assets to net cash used by operations	
Depreciation	58,709
Loss on investments	9,908
Change in provision for allowance for doubtful accounts	(17,273)
Changes in	
Accounts receivable	25,267
Inventory	(2,778)
Accounts payable and accrued expenses	(1,299)
Deferred revenue	51,855
Customer deposits and other assets	(24,427)
Net cash flows used by operations	<u>3,354,012</u>
Cash Flows From Investing Activities:	
Investment distribution	50,000
Purchases of property and equipment	(2,806,289)
Net cash flows used by investing activities	<u>(2,756,289)</u>
Cash flows from financing activities	
Payments on long-term debt	(328,407)
Net cash flows used by financing activities	<u>(328,407)</u>
Net increase in cash	269,316
Cash, beginning of year	<u>59,428</u>
Cash, end of year	<u>\$ 328,744</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	<u>\$ 56,692</u>

Read accompanying notes to financial statements.

CUBAN CLUB FOUNDATION, INC.

Statement of Functional Expenses

Year ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank fees	\$ -	\$ 374	\$ 374
Bar expenses	27,053	1,424	28,477
Communications	5,976	315	6,291
Contract labor and commissions	56,030	2,949	58,979
Depreciaton	55,774	2,935	58,709
Dues and subscriptions	-	300	300
Equipment Rental	815	-	815
Insurance	10,689	563	11,252
Interest	53,857	2,835	56,692
Janitorial	7,689	405	8,094
Office expenses	-	155	155
Other	-	6,638	6,638
Professional fees	-	9,813	9,813
Repairs and maintenance	34,739	1,828	36,567
Security	1,875	-	1,875
Utilities	19,465	1,024	20,489
Total Functional Expenses	<u>\$ 273,962</u>	<u>\$ 31,558</u>	<u>\$ 305,520</u>

Read accompanying notes to financial statements.

CUBAN CLUB FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2018

Note 1 – Nature of Activities

Cuban Club Foundation, Inc. (the “Foundation”) was incorporated on May 8, 1992, in the State of Florida. The Foundation was designed to obtain financial support for the preservation of the historic Cuban Club building, which is listed on the National Register of Historic Places. The Foundation raises support through the rental of its facilities for events or meetings.

Note 2 - Liquidity and Availability of Financial Assets

As of December 31, 2018, the Foundation has \$331,894 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$328,744 and a receivable of \$3,150. The current portion of financial liabilities exceeded financial assets by \$97,551. During 2019, the Foundation met a milestone required by a grant, and received \$250,000 of grant funds reimbursing capital expenditures which were incurred in 2018.

Note 3 – Summary of Significant Accounting Policies

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Change in accounting principle– The Foundation adopted ASU 2016-14, Not-for-Profit Entities (Topic 958)–Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Financial statement presentation – Net assets and revenue, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as:

Without Donor Restrictions-These resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose

With Donor Restrictions-Those resources subject to donor-imposed restrictions that will be satisfied by action of the Foundation or by the passage of time.

Accounts Receivable – Accounts receivable as of December 31, 2018, consists of amounts owed to the Foundation for hosting private events. Management reviews the collectability of each receivable based on the customer’s past experience, current economic conditions and other pertinent considerations. At December 31, 2018, the Foundation considers all receivable balances to be collectible.

Inventory – Inventory relates to beverage purchases that will be used or sold in conjunction with the rental of the Foundation’s facility. Inventory is recorded at the lower of cost (determined on a first-in, first-out basis) or market.

CUBAN CLUB FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2018

Note 3 – Summary of Significant Accounting Policies (Continued)

Property and Equipment – The Foundation capitalizes all expenditures in excess of \$500 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of the donation. Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years. Routine repairs and expenses are expensed as incurred.

Beneficial Interest in Assets Held by Others –The Foundation’s beneficial interest in funds irrevocably transferred to the Community Foundation of Tampa Bay, Inc. (the “Agency”) is stated at fair value. Changes in the fair value are recorded as realized and unrealized gains or losses in the statement of activities. Disbursements from the fund are in accordance with the Agency’s spending policy established by the Board of Trustees of the Agency. Disbursements may be requested by the Foundation and disbursed semi-annually in amounts not to exceed amounts allowed by the Agency. The beneficial interest of the assets held by the Foundation are valued each month by the Agency.

Revenue Recognition – The Foundation recognizes fees from the rental of its facilities as income at the time of the rental period. Amounts collected as deposits for future events are recorded as a current liability.

Cost allocation – The financial statements report certain categories of expenses that attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses which are not directly identifiable by program or support service, are allocated based on time and effort or square footage allocated to the functional area. Specific expenses associated with a program are charged directly to that program.

Contributions – The Foundation recognizes revenues on contributions when a contribution is received or there is evidence that an unconditional promise to provide future contributions has been made. Contributions are recognized and recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. Restricted assets are reclassified to unrestricted assets upon satisfaction of the time or purpose restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the calendar year in which the contribution is recognized.

Donated Services – Volunteer services are recorded if the services create or enhance non-financial assets, require specialized skills and are performed by people with those skills, or would have otherwise been purchased by the Foundation. Many volunteers have donated significant amounts of their time to the Foundation’s programs and support services for the year ended December 31, 2018; however, these donated services are not reflected in the accompanying financial statements since these services do not meet the criteria for recognition as contributed services.

Advertising – The Foundation expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2018, was \$169.

CUBAN CLUB FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2018

Note 3 – Summary of Significant Accounting Policies (Continued)

Income Taxes – The Foundation is a not-for-profit organization that is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal or state income tax is included in these financial statements. The Foundation’s income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

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

Note 4 – Property and Equipment

Major classifications of property and equipment as of December 31, 2018, are as follows:

Land	\$ 6,860
Building	120,784
Building improvements	2,240,988
Furniture and fixtures	15,000
Construction in process	2,863,117
Machinery and equipment	<u>45,022</u>
	5,291,771
Less: accumulated depreciation	<u>(1,159,934)</u>
	<u>\$ 4,131,837</u>

The Foundation recognized depreciation expense of approximately \$59,000 during 2018.

Note 5 – Beneficial Interest in Assets Held by Others

The Foundation has an endowment agreement with the Community Foundation of Tampa, Bay, Inc. (the “Agency”). The Foundation is a non-profit corporation that is formed to support local charities in the Tampa Bay community.

The Foundation has assets with the Agency and is holding them as an agency fund (“Fund”) for the benefit of the Foundation. The Foundation has granted the Agency variance power, which gives the Agency’s Board of Trustees the power to use the Fund for other purposes. All contributions made to the Fund are irrevocable. The Fund is subject to the Agency’s investment and spending policies. The Foundation reports the fair value of the Fund as beneficial interest in assets held by others on the accompanying statement of financial position and changes in the value of the Fund as gains or losses in the statement of activities. At the Agency’s option, distributions may be declared up to 5 percent of the Fund’s value as of December of the previous year.

CUBAN CLUB FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2018

Note 5 – Fair Value Measurements (Continued)

Generally accepted accounting principles provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identifiable assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the classification of such investments pursuant to the valuation hierarchy.

Beneficial interest in assets held by others has been valued at the fair value of the Foundation’s share of the Foundation’s investment pool as of the measurement date, utilizing valuations provided by the investment funds. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that will ultimately be realized (Level 3 Inputs).

Below is a summary of assets carried at fair value on a recurring basis at December 31, 2018, by the fair value hierarchy levels described above:

	Assets at Fair Value as of December 31, 2018			
December 31, 2018	Fair Value	(Level 1)	(Level 2)	(Level 3)
Beneficial Interest in Assets Held at the Community Foundation of Tampa Bay	\$ 117,174	\$ -	\$ -	\$ 117,174

CUBAN CLUB FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2018

Note 6 – Fair Value Measurements (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following represents a reconciliation of the activities for Level 3 financial instruments:

Balance at January 1, 2018	\$	177,082
Contributions		-
Interest and dividends		2,574
Depreciation of fund		(11,181)
Distributions		(50,000)
Administrative fees		(1,301)
		(1,301)
Balance at December 31, 2018	\$	117,174

Note 7 – Long-Term Debt and Subsequent Event

Long-term debt is comprised of the following as of December 31, 2018:

Note payable to bank, bearing interest at 7% ; payable in monthly principal and interest payments of \$7,937; matures July 3, 2019; collateralized by real property		\$ 411,438
Note payable to bank, bearing interest at 4.28% ; payable in monthly principal and interest payments of \$842; matures May 1, 2030; collateralized by real property		90,593
		502,031
Less: current portion		(417,809)
Long-term debt, less current portion		\$ 84,222

Future maturities of long-term debt are as follows as of December 31, 2018 :

2019	\$	417,809
2020		6,649
2021		6,940
2022		7,242
2023		7,532
Thereafter		55,859
		\$ 502,031

CUBAN CLUB FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2018

Note 7 – Long-Term Debt and Subsequent Event (Continued)

Subsequent to year end, the Foundation paid off a note payable in the amount of \$411,438.

Note 8 – Related Parties

The president of the Foundation controls an entity from which the Foundation accepted a short-term, non-interest bearing, unsecured, due on demand loan during the year for \$20,000. The loan was repaid to the related entity and there is no liability related to it on the statement of net position.

A board member of the Foundation made a total of \$175,000 of short-term, non-interest bearing, unsecured, due on demand loans during the year. The loans were repaid and there are no liabilities on the statement of financial position related to them.

The terms and amounts of the above transactions may not be indicative of the terms and amounts that would have been incurred had these transactions been entered into with unrelated parties.

Note 9 – Commitments and Contingencies

As a result of accepting grant funding from one of its grantors, the Foundation shall repay the total amount of the funding award amount if the historic facility is later transferred to another party, unless the sale proceeds are to be used for a specifically approved purpose by the grantor. Additionally, the grantor must be repaid the total funding award amount if the use of the facility substantially deviates from the use represented at the time of the award.

In addition, the Foundation consented to the imposition of a contractual lien on the property. The grantor, or contractual lien holder, shall be entitled to all of the rights and remedies afforded to a contractual lien holder under Florida Law. This lien shall be in effect for 20 years and amortized annually over the period using the straight-line method.

The Foundation must also make the facility available to this grantor four times a year at no charge for 10 years following the completion and final grant payment. The Foundation is not responsible for the direct costs associated with the use of the facility. Based on current rental rates, the Foundation has deferred \$100,000 of revenue to be recognized over a ten year period, as a result of this commitment.

The Foundation is a party to various lawsuits arising in the ordinary course of business. Management believes the Foundation has adequate insurance coverage for all loss contingencies for asserted and unasserted matters deemed to be probable losses and estimable.

Note 10 – Subsequent Events

The Foundation has evaluated subsequent events through September 27, 2019, the date which the financial statements were available to be issued. No events, other than previously disclosed, have occurred subsequent to the balance sheet date and through September 27, 2019, that would require adjustment to, or disclosure in, the financial statements.

SUPPLEMENTARY INFORMATION

CUBAN CLUB FOUNDATION, INC.
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2018

State Grantor/Program Title	Grant Number	CSFA Number	Expenditures
Florida Department of Economic Oppurtunity Local Economic Development Initiatives	HL086	40.038	\$ 1,000,000
Total Florida Department of Economic Oppurtunity			<u>1,000,000</u>
Department of State, Division of Historical Resources Acquisition, Restoration of Historic Properties	18.h.sc.100.100	45.032	250,000
Department of State, Division of Historical Resources Historic Preservation Grants	18.h.sm.100.083	45.031	50,000
Total Department of State, Division of Historical Resources			<u>300,000</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 1,300,000</u></u>

Read accompanying notes to the financial statements.

CUBAN CLUB FOUNDATION, INC.
Notes to Schedule of Expenditures of State Financial Assistance
December 31, 2018

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (“the Schedule”) includes the state grant activity of the Cuban Club Foundation, Inc. under programs of the State of Florida for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of the Cuban Club Foundation, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Cuban Club Foundation, Inc.

Note 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 the *Department of Financial Services State Projects Compliance Supplement*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Note 3 – Contingencies

These state programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Foundation’s continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Foundation expects such amounts, if any, to be immaterial.

Note 4 – Subrecipients

Cuban Club Foundation, Inc. provided no state financial assistance to subrecipients for the year ended December 31, 2018.



PRIDA, GUIDA & PEREZ, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' 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*

The Board of Directors
Cuban Club Foundation, Inc.

We have audited, in accordance with 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 Cuban Club Foundation, Inc., which comprise the statement of financial position as of December 31, 2018, 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 September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 consolidated 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*.

Cuban Club Foundation, Inc.'s Response to Findings

Cuban Club Foundation, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tampa, Florida
September 27, 2019



PRIDA, GUIDA & PEREZ, P.A.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE STATE AUDITOR GENERAL

The Board of Directors
Cuban Club Foundation, Inc.

Report on Compliance for Each Major State Project

We have audited Cuban Club Foundation, Inc.'s compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Cuban Club Foundation, Inc.'s major state projects for the year ended December 31, 2018. Cuban Club Foundation, Inc.'s major state projects 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 State statutes, regulations and the terms and conditions of its State projects applicable to its major State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Cuban Club Foundation, Inc.'s major state projects 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 Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, 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 Foundation'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 for each major state project. However, our audit does not provide a legal determination on the Foundation's compliance.

Opinion on Each Major State Project

In our opinion, Cuban Club Foundation, Inc. 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 projects for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The management of Cuban Club Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, 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 Foundation'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 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, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Tampa, Florida
September 27, 2019

CUBAN CLUB FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over the financial reporting

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

State Awards

Internal Control over major programs

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors’ report issued on compliance for major state programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General of the State of Florida*? yes X no

Identification of major programs:

CSFA Number

45.038

Name of State Project

Local Economic Development Initiatives

Dollar threshold used to distinguish between type A and type B major state projects \$ 300,000

Auditee qualified as low-risk auditee? yes X no

CUBAN CLUB FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section 2 – Financial Statement Findings

2018-001 Material weakness in internal controls over the Foundation’s financial reporting and close.

Criteria: The Foundation is responsible for establishing and maintaining internal controls over its financial close and reporting process that allows management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Condition: There were significant adjustments needed to correct the Foundation’s balance sheet accounts and the related income statement accounts as of and for the year ended December 31, 2018.

Context: The bank reconciliation for the Foundation’s operating account was prepared with multiple errors and was not reconciled to the general ledger resulting in an understatement of cash of approximately \$60,000. Beneficial interests in assets held by others were not monitored, adjusted, or reconciled resulting in an overstatement of beneficial interests in assets held by others of approximately \$50,000. Grant payments directly to vendors were not monitored, recorded, or reconciled resulting in an understatement of property and equipment and grant revenue in excess of \$1,000,000. Expenditures that are capital in nature were posted to expense accounts resulting in an understatement of property and equipment and an overstatement of expenses in excess of \$1,000,000. Grant revenues were recorded as capital assets resulting in an understatement of grant income and property and equipment in excess of \$2,000,000.

Effect: Virtually all of the Foundation’s accounts were materially misstated.

Cause: These errors were the result of errors in the performance of the reconciliation procedures or no reconciliation procedures performed during the year-end close process. Additionally, the Foundation does not have formally documented processes and procedures in place to ensure completeness and accuracy of the account reconciliation process.

Recommendation: We recommend that management ensure all balance sheet accounts are fully reconciled on a timely basis by appropriate personnel with appropriate underlying detailed documentation, and that those accounts be adjusted on a monthly or quarterly basis. Further, we recommend that management implement a formal document of policies and procedures related to the reconciliations which include, but are not limited to, timeliness of preparation and required review procedures. In addition, we recommend contracting a consultant to oversee the above suggestions.

Management’s Response: Management concurs with this recommendation and will begin the process of hiring a qualified accountant to maintain the books and records for 2019.

Questioned Costs: None

CUBAN CLUB FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section 3 – Major State Projects Findings and Questioned Costs

No matters were reported for the year ended December 31, 2018.

Section 4 – Other Issues

A summary schedule of prior year audit findings is not presented because there were no prior year audit findings.