

FRIENDS OF ROOKERY BAY, INC

FINANCIAL STATEMENTS

JUNE 30, 2019

FRIENDS OF ROOKERY BAY, INC.

INDEX TO FINANCIAL STATEMENTS

JUNE 30, 2019

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
PART I. <u>FINANCIAL STATEMENTS</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
PART II. <u>OTHER REPORT</u>	
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 <i>Government Auditing Standards</i>	14



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INDEPENDENT AUDITOR'S REPORT

October 4, 2019

To the Board of Directors
FRIENDS OF ROOKERY BAY, INC.
Naples, Florida

We have audited the accompanying financial statements of FRIENDS OF ROOKERY BAY, INC. (a Florida nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 Organization'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 Organization'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.

Board of Directors
FRIENDS OF ROOKERY BAY, INC.
October 4, 2019

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FRIENDS OF ROOKERY BAY, INC. as of June 30, 2019, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019, on our consideration of the FRIENDS OF ROOKERY BAY INC'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 effectiveness of FRIENDS OF ROOKERY BAY INC's 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 FRIENDS OF ROOKERY BAY INC's internal control over financial reporting and compliance.


PHILLIPS HARVEY GROUP, P.A.
Certified Public Accountants
Naples, Florida

FINANCIAL STATEMENTS

FRIENDS OF ROOKERY BAY, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS

Cash and cash equivalents	\$ 380,344
Accounts receivable	2,299
Inventories	19,378
Prepaid expenses and other assets	662
Donated asset, artwork	15,000
Beneficial interest in assets held by others	168,168
Property and equipment, net	<u>3,443</u>
Total Assets	<u><u>\$ 589,294</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	<u>\$ 49,050</u>
Total Liabilities	<u>49,050</u>
Commitments and Contingencies	<u>-</u>

NET ASSETS

Without donor restrictions:	
Undesignated	182,672
Board designated endowment fund	14,972
Board designated future 2020 endowment fund	25,210
Board designated emergency fund	<u>25,210</u>
Total without donor restrictions	<u>248,064</u>
With donor restrictions	<u>292,180</u>
Total Net Assets	<u>540,244</u>
	<u><u>\$ 589,294</u></u>

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

FRIENDS OF ROOKERY BAY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUES			
Contributions	\$ 143,632	\$ 207,067	\$ 350,699
Program service fees	237,663	-	237,663
Other retail income	42,091	-	42,091
Special events revenue, including in-kind	162,345	-	162,345
Rental income	8,811	-	8,811
Interest income	376	4,185	4,561
Other income	57,013	-	57,013
	<u>651,931</u>	<u>211,252</u>	<u>863,183</u>
Net assets Released From Restrictions	<u>147,793</u>	<u>(147,793)</u>	<u>-</u>
Total Support and Revenues	799,724	63,459	863,183
EXPENSES			
Program services:			
Educational	340,083	-	340,083
Supporting services:			
Management and general	112,889	-	112,889
Fundraising	192,137	-	192,137
	<u>645,109</u>	<u>-</u>	<u>645,109</u>
Change in Net Assets	154,615	63,459	218,074
Net Assets, June 30, 2018	179,287	142,883	322,170
Reclassifications	<u>(85,838)</u>	<u>85,838</u>	<u>-</u>
Net Assets, June 30, 2019	<u>\$ 248,064</u>	<u>\$ 292,180</u>	<u>\$ 540,244</u>

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

FRIENDS OF ROOKERY BAY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Supporting Services		TOTAL
	EDUCATIONAL	MANAGEMENT & GENERAL	FUNDRAISING	
Administrative Fee	\$ 31,435	\$ -	\$ -	\$ 31,435
Awards and Grants	74,409	-	1,265	75,674
Continuing Education	3,725	1,140	-	4,865
Cost of Sales	-	(87)	10,679	10,592
Depreciation and Amortization	-	1,033	-	1,033
Insurance	376	4,615	-	4,991
Marketing and Advertising	1,926	6,261	1,743	9,930
Merchant Fees	3,422	5,271	2,718	11,411
Postage, Mailing, Shipping	32	979	-	1,011
Printing and Copying	2,000	3,630	491	6,121
Professional Fees & Contract Services	189,664	68,393	75,929	333,986
Program Expenses	10,212	126	-	10,338
Special Event Expenses	505	5,706	93,236	99,447
Supplies	1,296	2,071	664	4,031
Taxes and Licenses	25	-	-	25
Travel, Conferences, Meetings	17,878	6,237	1,170	25,285
Website Hosting	100	7,556	-	7,656
Other Expenses	3,078	(42)	4,243	7,278
Total Expenses	\$ 340,083	\$ 112,889	\$ 192,137	\$ 645,109

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

FRIENDS OF ROOKERY BAY, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Cash Provided From Operating Activities:

Change in net assets	\$	218,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		1,033
Noncash contribution - Artwork		(15,000)
(Increase) Decrease in operating assets:		
Receivables		341
Inventories		(16,577)
Prepaid expenses		(662)
Beneficial interests in assets held by others		(153,338)
Increase (Decrease) in operating liabilities:		
Accounts payable		34,811

Net cash provided by operating activities

68,682

Net change in cash and cash equivalents

68,682

Cash and Cash Equivalents:

Beginning, June 30, 2018

311,662

Ending, June 30, 2019

\$ 380,344

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

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

FRIENDS OF ROOKERY BAY, INC. (the "Organization") is a nonprofit citizen support organization established to operate for the advancement of Rookery Bay National Estuarine Research Reserve (the Reserve) and to promote the purposes of the Reserve as well as to provide citizen support for resource protection, education and research by the Reserve. The Organization was incorporated on December 8, 1987 under the laws of Florida as a not-for-profit Organization. The Organization's mission is to bring the community together to invest in innovative practices that enrich the environment for student learning. The primary source of revenue is individual and corporate donors, grants and program revenues in Collier County, Florida. In addition, for 2019, the Organization solely utilized various subcontractor labor for support of its overall operations.

Method of Accounting

The accounts of the Organization are maintained, and the accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Accounting Standard Adoption

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU changes the NFP presentation to two classes of net assets instead of three. Also, the ASU require expenses to be presented by their natural and functional classification, and requires the NFP to disclose information to be provided related to their available resources and liquidity. Certain reclassifications were made to conform to the new presentation.

The Financial Accounting Standards Board (FASB) issued ASU 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. Under this ASU, investments for which fair value are measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy (see Note 2). The Organization, as part of the endowment funds, had investments measured at net asset value per share at June 30, 2019. Therefore, this ASU was reflected accordingly.

Financial Statement Presentation

ASU 2016-14 under FASB 958 requires that the Organization present information regarding its financial position and activities according to two classifications of net assets described as follows:

Without Donor Restrictions

Represents the portion of expendable funds available for support of Organization operations, and includes all investment income and appreciation not subject to donor restrictions. Designated amounts represent those resources which the Organization has set aside for a particular purpose. This designation may be removed at the Board's discretion.

With Donor Restrictions

Resources accumulated through donations or events held for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor have been satisfied through expenditure for the specified purpose or program or through the passage of time. The Organization has net assets with donor restrictions at June 30, 2019, see Note 4.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

The Organization considers all bank and similar deposits and money market accounts with an original maturity of three months or less to be cash equivalents. For purposes of reporting cash flows, the Organization considers all funds except those invested to be cash equivalents. The Organization's cash and cash equivalents are held at one federally insured financial institutions located in Collier County, Florida. The Organization had aggregated bank account balances with this financial institution in excess of federally insured limits at June 30, 2019 totaling approximately \$134,000. The Organization has not experienced any losses on such accounts. The Board of Directors believes it is not exposed to any significant risk on cash and cash equivalents.

Investments

Investments are initially recorded at cost, if purchased or, if donated, at fair market value on the date received in accordance with FASB ASC 958-320-05. Under FASB ASC 958-320-05, the Organization carries investments at the fair value determined by the quoted market prices on the last day of the year. Investment income may be either with donor restrictions or without donor restrictions when earned, determined according to the donor's imposed restrictions. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Inventories

Inventories are comprised of program related merchandise held for sale in the Organization's on-site gift shop, and is stated at the lower of cost or net realizable value.

Beneficial Interests in Assets Held by Others

Beneficial interests in assets held by others are recorded at fair value. Interest income, realized and unrealized gains(losses) based on market value change earned on such interests are recorded in the accompanying Statement of Activities.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Equipment

Equipment is recorded at cost when purchased or at fair market value at the time of contribution. Such donations are reported as without donor restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies donor restricted net assets to without donor restrictions at that time. Costs of major renewals and improvements that extend useful lives are capitalized. Expenditures for routine maintenance and repairs are charged to expense as incurred. Depreciation is primarily computed on a straight-line basis over the estimated useful live of equipment ranging from three to five years. The Organization's policy is to capitalize expenditures for personal property and/or betterments over \$1,000.

Contributions

All contributions are considered to be available for without donor restrictions use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. The Organization reports donations of cash contributions received not given for a specific purpose as without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from satisfaction of purpose restriction. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as without donor restrictions. Non-cash donations are recorded as contributions at their estimated fair market value.

In-Kind Contributions

In-kind contributions if any, represent the fair market values for goods and services provided for the Organization. Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. These contributions are included in the Statement of Activities under the caption labeled "in-kind contributions." In addition, the Organization utilized office space of the Reserve. No amount has been reflected in the accompanying financial statements for this in-kind contribution as it is not feasible to estimate such value.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost reimbursable contracts received in advance, if any, are deferred to the applicable period in which the related services are performed or when expenditures are incurred, respectively.

Tax Exempt Status

The Organization is exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, and similar state Code. As such, only unrelated business income, as defined by Section 512(a)(1) of the Code is subject to federal income tax. Management is not aware of any activities that could jeopardize the Organization's tax-exempt status. The Organization has evaluated its tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustments to the financial statements. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on the Statement of Functional Expenses. The statement presents total expenses by function. Direct costs are charged directly to the programs or supporting services benefited. Costs that related to both program and supporting services were allocated based on methods such as time and efforts as deemed reasonable for the mission of the Organization.

Evaluation of Subsequent Events

In preparing the audited financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 4, 2019, the date that the audited financial statements were available to be issued. No subsequent events were identified requiring disclosure.

Reclassifications

Certain reclassifications have been made to amounts from the prior year's 2018 audited financial statements in order for them to be properly presented in the Organization's the 2019 financial statements. The reclassifications did have any effect on donor restricted net assets for the year ended June 30, 2019. The reclassifications of \$85,838 occurred due to improper classifications of certain donor's restrictions.

Fair Value Measurement

FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Organization adheres to FASB ASC 820-10 and discloses fair value measurements for applicable assets and liabilities on a recurring basis, as required. This additional disclosure requires the presentation of the fair value of the assets or liabilities to be classified into three levels. The fair value hierarchy consists of three levels based on the inputs used to measure the fair value. These levels are defined as follows:

Level 1: Inputs that utilize quoted prices in active markets for identical assets or liabilities that the Organization has the ability to process.

Level 2: Inputs that include quoted prices for similar (but not exact) assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3: Inputs that are unobservable inputs for the asset or liability, typically based on an Organization's own assumptions, as there is little, if any, related market activity.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. As noted in Note 1, according to Accounting Standard Update 2015-07, investments for which fair value are measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. This accounting standard was reflected by the Foundation since the Pooled Funds of the Community Foundation of Collier County included investments measured at net asset value.

NOTE 2 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

On September 10, 2013, the Organization established a board designated Endowment Fund, known as the "Friends of Rookery Bay Fund" ("FORB Fund"), in the initial amount of \$5,000 with the Community of Collier County ("CFC"). In the 2013 year established, CFC provided a matching investment of \$5,000 to aggregate the FORB Fund to \$10,000. In addition, in 2019 the Organization established another Fund known as the "Norris Gaynor Scholarship Fund" ("Scholarship Fund"), in the initial amount of \$150,000 as provided by the donor. The FORB Fund was designated to be solely used for the support of Rookery Bay Research Reserve. The Scholarship Fund, as restricted by the donor is to be used for the Organization's overall mission of FORB and/or education and research internships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Both Funds invested amounts earns interest/dividends and may have realized as well as unrealized gains (losses) based on market prices during the year. The Scholarship Fund requires a minimum balance of \$10,000 to be maintained. The Organization may receive distributions subject to the Organization's spending policy as follows. The FORB Fund distributes 4%-5% of its balance annually, and the Scholarship Fund distributes amounts as need is requested. The Organization has adopted informal investment policy mirroring the CFC's investment return objectives. The FORB Fund and the Scholarship Fund endowment balances at June 30, 2019 were \$14,972 and \$153,196, respectively. These Funds are reported at fair value and consists primarily of various funds as denoted below. Currently, the investment policy is to invest with the Community Foundation of Collier County. The changes in endowment net assets for these funds as of and for the year ended June 30, 2019 are as follows:

	<u>WITHOUT DONOR RESTRICTIONS "FORB"</u>	<u>WITH DONOR RESTRICTIONS "SCHOLARSHIP"</u>	<u>TOTAL</u>
Endowment net assets, beginning balance	\$ 14,830	\$ 0	\$ 14,830
Contributions	0	150,000	150,000
Realized gains	366	1,822	2,188
Unrealized gains	(517)	95	(422)
Interest and dividends	457	1,554	2,011
Administrative fees	(164)	(275)	(439)
Endowment net assets, ending balance	<u>\$ 14,972</u>	<u>\$ 153,196</u>	<u>\$ 168,168</u>

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (CONTINUED)

The following fair value disclosure is for those assets measured at fair value on a recurring basis at June 30, 2019:

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Diversified mutual funds	\$ 49,324	\$ 42,054	\$ 7,270	\$ 0
Fixed income funds	12,451	10,616	1,835	0
Private equity/hedge funds	9,923	8,460	1,463	0
Cash funds	<u>11,478</u>	<u>9,786</u>	<u>1,692</u>	<u>0</u>
Total Funds Invested	\$ 83,176	\$ <u>70,916</u>	\$ <u>12,260</u>	\$ <u>0</u>
Total Net Asset Value	<u>84,992</u>			
	<u>\$ 168,168</u>			

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

Balance, June 30, 2018	\$ 14,830
Reinvest and reclassifications of category during the year	<u>(14,830)</u>
Balance, June 30, 2019	<u>\$ 0</u>

NOTE 3 - EQUIPMENT, NET

Equipment, net, at June 30, 2019 consisted of the following:

Equipment	\$ 5,165
Less: accumulated depreciation	<u>(1,722)</u>
Equipment, net	<u>\$ 3,443</u>

Depreciation expense for the year ended June 30, 2019 totaled \$1,033.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 consisted of the following:

Norris Gaynor Scholarship Fund (see Note 2)	\$ 153,196
Amounts included in cash and cash equivalents:	
Lennar Management Fund	114,756
Public Interest Fund	10,838
Shark Research	8,602
Marco Island Shell Club	3,700
MMA Vessel	1,088
Total included in cash and cash equivalents (see Note 5)	<u>138,984</u>
Total net assets with donor restrictions	<u>\$ 292,180</u>

During 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

Distribution of funds for MMA Vessel	\$ 73,912
Distribution of funds for Lennar Management Fund	73,406
Distribution of funds for Shark	<u>475</u>
Total satisfaction of purpose restrictions	<u>\$ 147,793</u>

NOTE 5 - LIQUIDITY AND AVAILABILITY

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restriction as of June 30, 2019, consist of the following:

Cash and cash equivalents	\$ 380,344
Accounts receivable	2,299
Beneficial interest in assets held by others (See Note 2)	168,168
Less those unavailable for general expenditures within one-year due to:	
Board designated funds	(65,392)
Norris Gaynor Scholarship Fund (See Notes 2 and 4)	(153,196)
Donor restricted funds (See Note 4)	<u>(138,984)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 193,239</u>

Board designated funds are not available for general use as noted in Note 1.



Nathan A. Phillips, CPA
Deborah L. Harvey, CPA

Stephanie J. Feldman, CPA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
David N. Phillips, 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**

October 4, 2019

To the Board of Directors
FRIENDS OF ROOKERY BAY, INC
Naples, Florida

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 FRIENDS OF ROOKERY BAY, INC ("the FORB", a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 4, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described as items 2019-01 and 2019-02 that we consider to be material weaknesses.

MATERIAL WEAKNESS:

2019-01 Lack of Segregation of Duties:

FORB has limited staff which can make it difficult to achieve proper segregation of duties. Due to the limited availability of staff working in the office, many critical duties are combined and given to available employees. Consequently, segregation of duties is inadequate. The same person who opens the mail and makes deposits, and is also the person who writes checks, reconciles the bank account and prepares the financial statements. In addition, there is no evidence of review and approval of journal entries. This could result in a misappropriation of assets or error occurring and it not being caught in a timely manner. To the extent possible, duties should be segregated to serve as a check and balance to maintain the best control system possible and proactively establish certain mitigating controls to reduce fraud risks. We believe the implementation of certain additional simple oversight procedures would greatly strengthen the current control environment. Also, it is our suggestion that the FORB consider the implementation of an "Oversight Checklist" as provided to help monitor and formally document these reviews.

2019-02 Material Corrections:

Three material journal entries were required to correct accounts in the financial statements. More review processes are required to ensure proper posting and adequate identification of restricted transactions. Throughout the course of our audit procedures, we noted that FORB has not adopted a formal consistent process to track donor restricted funds in the general ledger. Enhancing the documentation and tracking methods of donor restricted funds protects FORB and truly shows the funds available for operations or not throughout the year. We recommend creating a spreadsheet in QuickBooks to track donor restricted funds that are received and when restriction is met. This type of practice will enhance stronger documentation, accountability, and monitoring within FORB. The lack of these procedures and processes could result in misleading financial statements being relied upon. We suggest that a thorough review of the financial statements take place on a monthly basis. We understand that you have a bookkeeper with nonprofit experience now, and that should help mitigate this particular risk.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FORB, 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*.

FRIENDS OF ROOKERY BAY, INC'S Response to Findings Above:

FORB, INC'S response to the findings identified above is as follows:

In response to the identified material weakness (2019-01 and 2019-02), we acknowledge the importance of developing strong financial policies and procedures to provide for adequate and proper segregation of duties as well as strengthening of the accounting discipline related to proper and timely reconciliations and oversight and monitoring processes to safeguard the assets of the Organization. The new policies and procedures, as approved by the Board, were implemented in December 2018.

FORB, INC'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.

To the Board of Directors
FRIENDS OF ROOKERY BAY, INC
October 4, 2019

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


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