

**FRIENDS OF MACARTHUR BEACH
STATE PARK, INC.**

REPORT ON AUDITS OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

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Independent Auditors' Report

To the Board of Directors
Friends of MacArthur Beach State Park, Inc.
Palm Beach Gardens, Florida

We have audited the accompanying financial statements of Friends of MacArthur Beach State Park, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2020 and 2019, and the related statements of changes in net assets – modified cash basis, cash flows – modified cash basis, and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 assets, liabilities, and net assets of Friends of MacArthur Beach State Park, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

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Emphasis of Matter

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2021 on our consideration of Friends of MacArthur Beach State Park, 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 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 MacArthur Beach State Park, Inc.'s internal control over financial reporting and compliance.

Templeton & Company, LLP

West Palm Beach, Florida
June 14, 2021

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 379,601	\$ 522,239
Investments, at fair value (Note 3)	2,784,003	2,524,681
Inventory	41,186	33,609
Total current assets	3,204,790	3,080,529
Equipment, net of accumulated depreciation	11,607	17,837
Total assets	\$ 3,216,397	\$ 3,098,366
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 8,670	\$ 8,061
Net assets:		
Without donor restrictions	2,609,707	2,489,800
With donor restrictions	598,020	600,505
Total net assets	3,207,727	3,090,305
Total liabilities and net assets	\$ 3,216,397	\$ 3,098,366

See accompanying notes to financial statements.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.
STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED CASH BASIS
For the Years Ended December 31, 2020 and 2019

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions	\$ 35,737	\$ 14,936	\$ 50,673	\$ 82,965	\$ -	\$ 82,965
Grants	54,685	54,417	109,102	-	76,989	76,989
Membership dues	77,985	-	77,985	148,778	-	148,778
Program revenue	30,006	-	30,006	121,213	-	121,213
Special events	25,161	-	25,161	68,138	-	68,138
Merchandise sales	53,685	-	53,685	190,920	-	190,920
Net investment return	235,148	56,674	291,822	497,907	-	497,907
Other income	8,051	-	8,051	4,765	-	4,765
Net assets released from restrictions (Note 5)	<u>128,512</u>	<u>(128,512)</u>	<u>-</u>	<u>77,315</u>	<u>(77,315)</u>	<u>-</u>
Total support and revenue	<u>648,970</u>	<u>(2,485)</u>	<u>646,485</u>	<u>1,192,001</u>	<u>(326)</u>	<u>1,191,675</u>
Expenses:						
Program services	341,189	-	341,189	502,285	-	502,285
Management and general	143,245	-	143,245	145,278	-	145,278
Fundraising	37,806	-	37,806	35,302	-	35,302
Special events	<u>6,823</u>	<u>-</u>	<u>6,823</u>	<u>23,587</u>	<u>-</u>	<u>23,587</u>
Total expenses	<u>529,063</u>	<u>-</u>	<u>529,063</u>	<u>706,452</u>	<u>-</u>	<u>706,452</u>
Increase (decrease) in net assets	119,907	(2,485)	117,422	485,549	(326)	485,223
Net assets - beginning of year	<u>2,489,800</u>	<u>600,505</u>	<u>3,090,305</u>	<u>2,004,251</u>	<u>600,831</u>	<u>2,605,082</u>
Net assets - end of year	<u>\$ 2,609,707</u>	<u>\$ 598,020</u>	<u>\$ 3,207,727</u>	<u>2,489,800</u>	<u>\$ 600,505</u>	<u>\$ 3,090,305</u>

See accompanying notes to financial statements.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 117,422	\$ 485,223
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,230	2,641
Loss on disposal of equipment	-	5,363
Unrealized and realized gains on investments, net	(229,791)	(415,804)
Changes in operating assets and liabilities:		
Inventory	(7,577)	5,304
Accrued expenses	609	7,515
Net cash provided by (used in) operating activities	(113,107)	90,242
Cash flows from investing activities:		
Proceeds from sales (purchases of) investments, net	(29,531)	27,823
Purchases of equipment	-	(15,140)
Net cash provided by (used in) investing activities	(29,531)	12,683
Net increase (decrease) in cash	(142,638)	102,925
Cash and cash equivalents, beginning of year	522,239	419,314
Cash and cash equivalents, end of year	\$ 379,601	\$ 522,239

See accompanying notes to financial statements.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the Year Ended December 31, 2020

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Park Development	Public Education	Visitor Services	Nature Foundation		Management and General	Fundraising	Special Events	
Salaries and benefits	\$ 59,646	\$ 23,859	\$ 29,823	\$ 5,965	\$ 119,293	\$ 108,831	\$ 10,458	\$ -	\$ 238,582
Contract services	21,275	8,510	10,638	2,127	42,550	-	-	-	42,550
Postage and shipping	43	84	83	-	210	-	-	-	210
Cost of inventory items sold	27,299	-	-	-	27,299	-	-	-	27,299
Travel	342	683	683	-	1,708	-	-	-	1,708
Repairs and maintenance	4,869	9,732	9,735	-	24,336	-	-	-	24,336
Insurance	2,282	4,565	4,565	-	11,412	-	-	-	11,412
Advertising	343	685	685	-	1,713	-	-	-	1,713
Professional fees and trainers	2,374	2,374	2,373	-	7,121	26,330	10,971	-	44,422
Office expense	1,763	3,526	3,527	-	8,816	7,055	1,761	-	17,632
Park support and equipment	-	3,299	3,298	-	6,597	-	-	-	6,597
Capital expenditures	65,640	-	-	-	65,640	1,029	14,616	-	81,285
Direct cost of special events	-	-	-	-	-	-	-	6,823	6,823
Depreciation	-	-	6,230	-	6,230	-	-	-	6,230
Miscellaneous	-	9,136	9,128	-	18,264	-	-	-	18,264
Total expenses	\$ 185,876	\$ 66,453	\$ 80,768	\$ 8,092	\$ 341,189	\$ 143,245	\$ 37,806	\$ 6,823	\$ 529,063

See accompanying notes to financial statements.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the Year Ended December 31, 2019

	Program Services				Supporting Services				
	Park Development	Public Education	Visitor Services	Nature Foundation	Total Program Services	Management and General	Fundraising	Special Events	Total Expenses
Salaries and benefits	\$ 61,041	\$ 24,417	\$ 30,521	\$ 6,104	\$ 122,083	\$ 111,377	\$ 10,703	\$ -	\$ 244,163
Contract services	22,279	8,911	11,139	2,228	44,557	-	-	-	44,557
Printing and publications	119	237	237	-	593	-	-	-	593
Postage and shipping	71	140	140	-	351	-	-	-	351
Cost of inventory items sold	74,739	-	-	-	74,739	-	-	-	74,739
Travel	440	879	879	-	2,198	-	-	-	2,198
Repairs and maintenance	3,378	6,751	6,752	-	16,881	-	-	-	16,881
Insurance	1,871	3,741	3,741	-	9,353	-	-	-	9,353
Advertising	1,321	2,642	2,642	-	6,605	-	-	-	6,605
Professional fees and trainers	2,134	2,134	2,134	-	6,402	23,670	9,862	-	39,934
Office expense	2,339	4,678	4,679	-	11,696	9,358	2,336	-	23,390
Kayak program expenses	-	6,497	6,497	-	12,994	-	-	-	12,994
Park support and equipment	-	9,249	9,249	-	18,498	-	-	-	18,498
Capital expenditures	55,689	-	-	-	55,689	873	12,401	-	68,963
Direct cost of special events	-	-	-	-	-	-	-	23,587	23,587
Depreciation	-	-	2,641	-	2,641	-	-	-	2,641
Miscellaneous	-	58,530	58,475	-	117,005	-	-	-	117,005
Total expenses	<u>\$ 225,421</u>	<u>\$ 128,806</u>	<u>\$ 139,726</u>	<u>\$ 8,332</u>	<u>\$ 502,285</u>	<u>\$ 145,278</u>	<u>\$ 35,302</u>	<u>\$ 23,587</u>	<u>\$ 706,452</u>

See accompanying notes to financial statements.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

Friends of MacArthur Beach State Park, Inc. (Friends) is a not-for-profit organization incorporated under the laws of the State of Florida and is a 501(c)(3) tax exempt organization under the Internal Revenue Code (IRC). Friends is funded primarily from contributions made by the public within the State of Florida, through paid programs provided to the public, and gift shop sales. Contributions are used to fund visitor services, public education, park development, and resource management.

Basis of accounting

Friends prepares its financial statements using the modified cash basis of accounting. Under this method, revenues are recognized when collected rather than when earned, and expenses, generally, are recognized when paid rather than when incurred. This basic approach is modified to include investments, inventory, value of contributed services, capitalized office and certain park equipment and related depreciation, and liabilities for sales tax and employee payroll taxes. Friends has also not consolidated the financial statements of The Nature Foundation, Inc., a nonprofit organization that Friends controls through a majority voting interest. The effects on these financial statements of not consolidating The Nature Foundation, Inc. have not been determined.

Basis of presentation

Net assets, revenue, and gains and losses are classified as without donor restrictions and with donor restrictions based on the existence or absence, respectively, of contractual, grantor or donor-imposed restrictions. Accordingly, net assets of Friends and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and are available for the support of Friends' operations. These net assets may be used at the discretion of Friends' management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Friends or the passage of time. Friends has an endowment that is a permanent endowment.

Revenue recognition

Membership dues are recognized as revenue when received. Member events revenue is recognized at the time of the Member event. Grant revenue is recognized when the requirements under the grant have been fulfilled. Grant revenue that is by nature a charitable contribution is recognized when the contribution is received and reported as net assets with donor restrictions or net assets without donor restrictions depending on grantor-imposed restrictions. Fees for programs are recognized when the program takes place.

Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Friends' ongoing education, preservation, and member services.

Grants and contributions

Friends records funding from unconditional grants in the period that the grant award is received. Unconditional contributions are recorded in the period that the contribution is received. Classification of grants and contributions as without donor restrictions or with donor restrictions is based upon any external stipulations that limit the use of the funds.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Grants and contributions, continued

When a grantor or donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are then reclassified to net assets without donor restrictions and reported in the statements of changes in net assets as net assets released from restrictions. Grants and contributions with donor restrictions are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Income taxes

Friends' activities are generally exempt from federal and state and income taxes under Section 501(c)(3) of the IRC. Since Friends is exempt from federal and state income tax liability, no provision for income taxes is recorded in Friends' financial statements. Management is not aware of any transactions that would impact Friends' tax-exempt status.

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease.

Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the years 2020 or 2019. Friends is no longer subject to federal, state, or local income tax examinations by taxing authorities for years prior to 2017.

Fair value measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, establishes 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 identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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. As of December 31, 2020 and 2019, Friends had no Level 2 or Level 3 assets or liabilities.

Contributed services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received as in-kind contributions.

Many individuals volunteer their time and perform a variety of tasks to assist with the programs and other activities of Friends. The value of these services has not been recorded because the criteria for recognition have not been satisfied.

Cash and cash equivalents

Cash includes amounts on deposit in general checking and savings accounts. Friends considers cash equivalents to be all short-term securities with an original maturity of 3 months or less.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Investments

Investments consists of marketable equity securities, money market funds, and corporate bonds that are measured at fair value. Marketable equity and fixed income securities are measured at their fair values based on quoted market prices.

Investment income and realized gains and losses on investments are recognized upon realization. Unrealized gains and losses are recognized on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term.

Inventory

Inventory held in the gift shop for resale is stated at net realizable value at the lower of cost or market determined by the first-in first-out method.

Accounting estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

Property and equipment

Certain equipment acquisitions with a useful life of greater than one year are capitalized and stated at cost or, if donated, at the fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which range from five to seven years.

Management reviews its equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Maintenance and repairs are charged to expense when paid.

Expense recognition and allocation

The cost of providing programs and other activities is summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions, such as depreciation, insurance, supplies, and maintenance have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied.

Annually, or more often when new programs are added, the bases on which costs are allocated are evaluated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Expense recognition and allocation, continued

Fund raising costs are expensed as paid, even though they may result in contributions received in future years. Friends generally does not conduct its fund raising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fund raising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as paid.

Concentration of credit risk

Friends' cash balances on deposit with banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC). Friends is exposed to risk for the amount of funds held in any one account in excess of the insurance limit, which was approximately \$133,000 as of December 31, 2020. In assessing its risk, Friends' policy is to bank only with the highest rated financial institutions. Friends has not experienced any losses in such accounts.

The balances occasionally exceed FDIC limits. Other securities and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account, with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

Note 2 – Availability of Resources and Liquidity

As of December 31, 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

Financial assets:	
Cash	\$ 379,601
Investments	<u>2,784,003</u>
Total financial assets	3,163,604
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 6)	(55,344)
Donor-restricted endowment (Note 6)	(540,678)
Less financial assets held to meet board-imposed restrictions:	
Board-designated endowments	<u>(2,187,981)</u>
Financial assets available for general expenditures in the next year	<u>\$ 379,601</u>

Friends' goal is to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of short-term cash requirements are invested in interest-bearing accounts and money market accounts at financial institutions.

Friends' investments include donor-restricted endowment funds and board-restricted endowment funds. The board-designated endowment is subject to the Board's spending policy. Although Friends does not expect to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and spending policy), these amounts could be made available if necessary.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 3 – Investments

Investments are measured at fair value. Fair value is determined by quoted market prices in active markets for all investments (that is, all Level 1 measurements). Investments at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 56,570	\$ 57,480
Mutual funds - equities	1,593,578	1,445,120
Corporate bonds	<u>1,133,855</u>	<u>1,022,081</u>
Total investments, at fair value	<u>\$ 2,784,003</u>	<u>\$ 2,524,681</u>

The following schedule summarizes the net investment return for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 62,031	\$ 82,103
Net realized and unrealized gains	<u>229,791</u>	<u>415,804</u>
Net investment return	<u>\$ 291,822</u>	<u>\$ 497,907</u>

Note 4 – Equipment

A summary of equipment as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Computer	\$ 23,437	\$ 23,437
Equipment	<u>35,334</u>	<u>35,334</u>
Subtotal	58,771	58,771
Less: accumulated depreciation	<u>(47,164)</u>	<u>(40,934)</u>
Equipment, net	<u>\$ 11,607</u>	<u>\$ 17,837</u>

Note 5 – Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from donor restrictions for the years ended December 31, 2020 and 2019 for the following purposes:

	<u>2020</u>	<u>2019</u>
Conditional grant (PPP See Note 8)	\$ 54,685	\$ -
Transportation	18,417	7,120
Equipment purchases	13,080	28,989
Exotic removal	8,444	4,922
Education	<u>33,886</u>	<u>36,284</u>
	<u>\$ 128,512</u>	<u>\$ 77,315</u>

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 6 – Net Assets with Donor Restrictions and Endowment

Net assets with donor restrictions as of December 31, 2020 and 2019 are available for the following purposes:

	2020	2019
Time and purpose restrictions:		
Building campaign fund	\$ 8,683	\$ 8,683
Cultural Council grant	3,161	3,161
Cultural Council Power to Care grant	3,204	3,204
Transportation grant	7,805	7,805
Community Foundation grant	17,556	17,556
Citizen Steward grant	-	6,235
Nature Foundation grant	1,209	-
Exotic removal grant	13,726	13,183
	\$ 55,344	\$ 59,827

As of December 31, 2020 and 2019, Friends has net assets with donor restrictions of \$540,678 of a perpetual nature.

Changes in endowment net assets for the year ended December 31, 2020 follow:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of January 1, 2020	\$ 1,984,003	\$ 540,678	\$ 2,524,681
Investment return:			
Interest and dividends	49,984	12,047	62,031
Net appreciation (realized and unrealized), net	185,164	44,627	229,791
Net investment return	235,148	56,674	291,822
Appropriations for endowment expenditures	24,174	(56,674)	(32,500)
Balance as of December 31, 2020	\$ 2,243,325	\$ 540,678	\$ 2,784,003

Interpretation of relevant law

Friends follows the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). FUPMIFA requires the Board of Directors (the Board) to use reasonable care, skill and caution as exercised by a prudent investor in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the Board may expend so much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted and Board designated endowments may fall below the level that the donor or Board requires Friends to retain as a fund of perpetual duration. There were no such funds with deficiencies as of December 31, 2020 or 2019.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 6 –Net Assets with Donor Restrictions and Endowment, Continued

Return objectives and risk parameters

Friends has adopted policies for endowment assets that attempt to provide a predictable stream of funding to education programs supported by its endowment while seeking to maintain purchasing power of the assets. Friends expects that its funds, over time, will provide an average rate of return, after adjusting for inflation, that will allow its assets to grow. Actual returns in any given year may vary from this amount.

Strategies employed to achieve objectives

To satisfy its long-term rate-of-return objectives, Friends relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Friends targets a diversified allocation to achieve its long-term return objectives within prudent risk constraints.

Note 7 – Significant Uncertainties

COVID-19 Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Friends’ operations are dependent on private and public donations from individuals, foundations, and corporations, as well as rentals and merchandise sales. During 2020, local and statewide orders for social distancing, “shelter-in-place” requirements, and limitations on the size of public gatherings impacted Friends’ ability to operate, as well as the general public’s access to the Park. These government orders, coupled with other safety restrictions, depressed merchandise sales during fiscal year 2020 and may depress such sales and donations during fiscal year 2021.

During 2020, Friends was closed due to state and municipal orders from April through June 2020 and began a limited reopening in July 2020. However, education programs, tours, events, and group activities were cancelled or closed from July 2020 through May 2021. Limited rentals and merchandise sales began in July 2020 with the next phase of a planned reopening set to take place in June 2021.

Note 8 – Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted. The CARES Act was enacted to address the economic fallout of the COVID-19 pandemic on the U.S. economy. The CARES Act included the Paycheck Protection Program (PPP) funded through the Small Business Administration (SBA) to provide immediate liquidity to eligible entities to cover certain payroll costs for a period of time in the form of an uncollateralized, federally guaranteed loan with certain forgiveness provisions.

In May 2020, Friends obtained a PPP Loan in the amount of \$54,685. The PPP Loan, which was in the form of a promissory note, had a scheduled twenty-four-month maturity from the date of funding, with an interest rate of 1.00% per annum, payable monthly, commencing six months from the issuance date. The PPP Loan was uncollateralized.

After the expiration of the covered period, Friends applied for loan forgiveness from the lender and SBA upon satisfying the requirements for PPP Loan forgiveness. The forgiven PPP Loan was treated as a conditional contribution released from donor restriction in the same period qualifying expenses were incurred and recorded as grant revenue in the accompanying statement of activities for the year ended December 31, 2020.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 9 – Subsequent Events

Management evaluated events occurring subsequent to December 31, 2020 through June 14, 2021, the date on which the financial statements were available to be issued, for matters that should be recorded in the financial statements or disclosed in the footnotes thereto.

Subsequent to December 31, 2020, Friends applied for and received proceeds in the amount of \$55,084 from a second Paycheck Protection Program Loan (PPP2). The Paycheck Protection Program was extended as part of the Consolidated Appropriations Act, 2021. The terms of the PPP2 Loan are similar to the first PPP Loan (Note 8), and includes similar repayment terms and forgiveness provisions.

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

To the Board of Directors of
Friends of MacArthur Beach State Park, Inc.
Palm Beach Gardens, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Friends of MacArthur Beach State Park, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2020, and the related statements of changes in net assets – modified cash basis, cash flows – modified cash basis, and functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Friends of MacArthur Beach State Park, 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 Friends of MacArthur Beach State Park, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-01, 2019-01, and 2019-02, that we considered to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Friends of MacArthur Beach State Park, Inc.'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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in this report as Findings 2020-01, 2019-01 and 2019-02.



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 Friends of MacArthur Beach State Park, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friends of MacArthur Beach State Park, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Templeton & Company, LLP

West Palm Beach, Florida
June 14, 2021

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

Part I – Financial Statement Findings and Questioned Costs in the Current Year

2020-01 Recording and Classification of Cash Receipts

Criteria: Cash receipts should be supported by an adequate level of documentation to determine the appropriate classification in the general ledger.

Condition: During our audit procedures, we identified 18 out of 25 instances where cash receipts did not have supporting documentation to substantiate that the transactions were properly classified in the general ledger. All exceptions pertain specifically to Gift Shop sales.

Cause: The Gift Shop point of sales (POS) system is responsible for all revenue transactions in this location and is directly integrated to the general ledger. This POS system does not provide a report or detailed breakout of any transactions tendered.

Potential Effect: Currently, there is no way to determine that transactions are coded in the correct account or sub-account in the general ledger. If a new item is created within the POS and erroneously set with the incorrect coding, certain accounts may be misstated. This may impact merchandise sales, donations, membership dues, rental fees, etc. as it increases the likelihood any of these revenue transactions may be tendered in the Gift Shop.

Recommendation: We recommend management seek technical assistance in developing internal reports that may be generated daily such that details total receipts received by source and the related coding in the general ledger account.

Perspective Information: We examined a sample of cash receipts selected from across the operating accounts and vouched the transactions to payment support. If the transaction was sourced from “Counter Sales”, management was unable to provide supporting documentation displaying to which revenue account the transaction was recorded.

Views of Responsible Officials: Management will work with QuickBooks to develop a more detailed report for the daily POS transactions. This report will include a clear break out into Merchandise Sales; Kayak Rentals; Donations, etc. Once established, a sample report will be provided to the auditor for review.

Part II – Financial Statement Findings and Questioned Costs in the Prior Year

2019-01 Lack of Internal Policy for Capitalization of Property and Equipment

Criteria: An internal capitalization policy should exist to determine from goods purchased, which ones must be expensed, and which ones must be recorded as property and equipment. The policy should include criteria such as the dollar amount of the goods purchased and their estimated useful life.

Condition: Some equipment purchased during the year ended December 31, 2019, was expensed instead of being capitalized.

Cause: Some computers and software purchased during the year ended December 31, 2019, were recorded as expenses and not as property and equipment, which caused an overstatement of the entity’s expenses and an understatement of the entity’s total assets. Not having a proper capitalization policy makes the distinction between property and equipment and expenses difficult, provoking misstatements like these, where goods that should be capitalized are mistakenly expensed or vice versa.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

2019-01 Lack of Internal Policy for Capitalization of Property and Equipment, Continued

Potential Effect: The lack of an internal capitalization policy increases the risk of misstatements in the financial statements due to over/under statement of assets, changes in net assets and net assets.

Recommendation: We recommend that Friends remain on schedule and continue to prioritize the current project of developing a formal Policies and Procedures Manual as it pertains to finance and accounting.

Status: During our audit procedures and discussions with management, we noted that management is currently developing a form Accounting and Finance Policies and Procedures Manual with appropriate Board oversight. This should serve to not only address the capitalization policy discussed here, but to formalize other significant and pertinent procedures for Friends' management and staff. Completion of the Manual is currently scheduled for late fiscal year 2021.

Views of Responsible Officials: Management agrees with the comment. Based on outlined criteria, assets will be categorized appropriately. This will be included in our Financial Policies and Procedures document being created for the organization.

2019-02 Review and Approval of Expenditures

Criteria: Proper review should take place over expenditures using the Friends' corporate credit card. Appropriate supporting documentation including receipts, business purpose of the purchase by using the signature of the purchaser and documentation of approval should be apparent for purchases made by the Friends' credit card.

Condition: The Executive Director approves all credit card charges before they are made and reviews and approves all credit card expenditures every month by comparing them with their respective invoices and supporting documentation before proceeding with the payment of the business credit cards.

Cause: Expenditures made with the former Executive Director's business credit card are neither reviewed nor approved by another person designated by the Board of Directors or a designated person within the Friends designated by the Board of Directors.

Recommendation: We recommend that another person within the Board of Directors or designated by the Board of Directors to review and approve all the expenditures incurred with the Executive Director's business credit card. We recommend that the review be evidenced by a signature of the reviewer and the date the review took place.

We also recommend that all purchases include appropriate supporting documentation evidencing the business purpose for the purchase.

Potential Effect: The lack of controls over the approval of the Executive Director's credit card transactions increases the risk of misappropriation of assets of the Friends of MacArthur Beach State Park, Inc.

Perspective Information: We examined the Friends' credit card statements that were processed for payment for the months of January, February, May, August, September, November, and December 2019. Additionally, we examined the credit card statements for the months of January, May, and December 2020, noting that this matter appears to be addressed during 2020 by Friend's new Executive Director.

Status: During our audit procedures, we noted that this matter appears to be addressed during 2020 by Friend's new Executive Director.

FRIENDS OF MACARTHUR BEACH STATE PARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

2019-02 Review and Approval of Expenditures, Continued

Views of Responsible Officials: The Board Treasurer and Finance/Budget Committee have been, and are currently, assessing operating procedures. The need for a Financial Policies and Procedures Manual has been identified. Currently, this document is in draft form. Due to delays because of COVID-19, the new goal to have this project completed is by the end of the 2021 calendar year. Once a final draft is completed, we plan to have two independent CPA companies review and provide feedback to ensure best practices are in place. Once the manual's directives are in place, all the stated issues found will be resolved.