

FRIENDS OF ROOKERY BAY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

FRIENDS OF ROOKERY BAY, INC.

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JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

October 8, 2020

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, 2020, 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 8, 2020

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, 2020, 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 8, 2020, 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, 2020**

ASSETS

Cash and cash equivalents, unrestricted	\$ 82,457
Accounts receivable	2,388
Inventories	30,766
Donated asset, artwork	15,000
Cash and cash equivalents, donor restricted	186,687
Beneficial interest in assets held by others	187,958
Property and equipment, net	15,213
	<hr/>
Total Assets	<u>\$ 520,469</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 6,820
Paycheck Protection Program loan	16,992
Economic Injury Disaster loan	1,000
Total Liabilities	<hr/> <u>24,812</u>
Commitments and Contingencies	<hr/> -

NET ASSETS

Without donor restrictions:	
Undesignated	95,793
Board designated endowment fund	38,941
Board designated emergency fund	25,219
Total without donor restrictions	<hr/> <u>159,953</u>
With donor restrictions	<hr/> 335,704
Total Net Assets	<hr/> <u>495,657</u>
	<hr/> <u>\$ 520,469</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, 2020**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUES			
Contributions	\$ 145,954	\$ 69,885	\$ 215,839
Program service fees	197,502	-	197,502
Other retail income	36,676	-	36,676
Special events revenue, including in-kind	72,800	-	72,800
Rental income	3,960	-	3,960
Investment (loss), net	(1,241)	(4,179)	(5,420)
Other Interest income	4,155	617	4,772
Other income	2,575	24,650	27,225
	<u>462,381</u>	<u>90,973</u>	<u>553,354</u>
Net assets Released From Restrictions	<u>47,449</u>	<u>(47,449)</u>	<u>-</u>
Total Support and Revenues	509,830	43,524	553,354
EXPENSES			
Program services:			
Educational	253,520	-	253,520
Supporting services:			
Management and general	211,323	-	211,323
Fundraising	133,098	-	133,098
Total Expenses	<u>597,941</u>	<u>-</u>	<u>597,941</u>
Change in Net Assets	(88,111)	43,524	(44,587)
Net Assets, June 30, 2019	<u>248,064</u>	<u>292,180</u>	<u>540,244</u>
Net Assets, June 30, 2020	<u>\$ 159,953</u>	<u>\$ 335,704</u>	<u>\$ 495,657</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, 2020**

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
	<u>EDUCATIONAL</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUNDRAISING</u>	
Administrative Fee	\$ 25,204	\$ -	\$ -	\$ 25,204
Awards and Grants	40,000	135	403	40,538
Continuing Education	721	(30)	-	691
Cost of Sales	-	-	18,978	18,978
Depreciation and Amortization	-	3,814	-	3,814
Insurance	-	5,244	-	5,244
Marketing and Advertising	695	6,980	-	7,675
Merchant Fees	1,626	1,933	4,597	8,156
Postage, Mailing, Shipping	152	678	1,643	2,473
Printing and Copying	155	898	6,509	7,562
Salary and Benefits	17,482	26,224	43,706	87,412
Professional Fees and Contract Services	146,129	140,077	1,850	288,056
Program Expenses	6,799	754	-	7,553
Special Event Expenses	1,426	1,122	45,744	48,292
Supplies	5,145	4,610	1,846	11,601
Taxes and Licenses	100	-	-	100
Travel, Conferences, Meetings	5,466	3,982	1,308	10,756
Website Hosting	-	7,216	-	7,216
Other Expenses	2,420	7,686	6,514	16,620
Total Expenses	\$ 253,520	\$ 211,323	\$ 133,098	\$ 597,941

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, 2020**

Cash Used in Operating Activities:

Change in net assets	\$ (44,587)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	3,814
Investment loss, net	5,420
(Increase) decrease in operating assets:	
Receivables	(89)
Inventories	(11,388)
Prepaid expenses	662
Increase (decrease) in operating liabilities:	
Accounts payable	(42,230)
Net cash (used in) operating activities	<u>(88,398)</u>

Cash Used in Investing Activities:

Purchases of beneficial interest in assets	(25,210)
Purchase of property and equipment	(15,584)
Net cash (used in) investing activities	<u>(40,794)</u>

Cash Provided From Financing Activities:

Proceeds from the PPP loan	16,992
Proceeds from the EIDL loan	1,000
Net cash provided by financing activities	<u>17,992</u>

Net change in cash and cash equivalents (111,200)

**Cash and Cash Equivalents, Unrestricted and Donor Restricted:
Beginning, June 30, 2019**

380,344

Ending, June 30, 2020 \$ 269,144

Cash and Cash Equivalents, June 30, 2020 comprised as follows:

Unrestricted	82,457
Donor restricted	186,687
Total Cash and Cash Equivalents, June 30, 2020	<u>\$ 269,144</u>

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" or "FORB") 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 connect people to Southwest Florida's dynamic coastal environment in support of Rookery Bay National Estuarine Research Reserve. The primary source of revenue is individual and corporate donors, grants and program revenues in Collier County, Florida. In addition, for 2020, the Organization utilized various subcontractor labor for significant 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 Standards Adoption

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard is effective for fiscal years beginning after December 15, 2018. The Organization adopted this ASU during the period ended June 30, 2020.

In May 2020, the Financial Accounting Standards Board voted to extend by one year the effective date of its revenue recognition standard, FASB ASC 606 *Revenue from Contracts with Customers*, for all nonpublic entities which had not yet issued their June 30, 2020 financial statements. Accordingly, the Organization opted to delay the implementation of this standard until 2020.

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, 2020, 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, 2020 totaling approximately \$52,000. 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 generally accepted accounting principles ("GAAP"). 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 restrictions imposed by the donor. 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.

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

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Equipment (Continued)

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 life of equipment ranging from three to five years. The Organization's policy is to capitalize expenditures for personal property and/or betterments equal to or greater than \$1,000.

Contributions

All contributions are considered to be available 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 2017, 2018, and 2019 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 8, 2020, the date that the audited financial statements were available to be issued. There were no subsequent events identified. However, see Note 6 for discussion of the potential ongoing financial impacts related to the COVID – 19 pandemic.

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.

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. According to Accounting Standards Update 2015-07, adopted by the Foundation in the prior year, 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 Organization since the Pooled Funds of the Community Foundation of Collier County included investments measured at net asset value.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

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 Foundation of Collier County ("CFCC"). In the 2013 year established, CFCC provided a matching investment of \$5,000 to aggregate the FORB Fund to \$10,000. The FORB Fund was designated to be solely used for the support of Rookery Bay Research Reserve.

Additionally, 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 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 GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Both Funds invested amounts earn interest/dividends and may have realized as well as unrealized gains or (losses) based on market prices during the year. The FORB Fund may distribute 4%-5% of its balance annually, and the Scholarship Fund distributes amounts as need is requested. 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 Organization has adopted informal investment policy mirroring the CFCC's investment return objectives. The FORB Fund and the Scholarship Fund endowment balances at June 30, 2020 were \$38,941 and \$149,017, 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, 2020 are as follows:

	<u>WITHOUT DONOR RESTRICTIONS "FORB"</u>	<u>WITH DONOR RESTRICTIONS "SCHOLARSHIP"</u>	<u>TOTAL</u>
Endowment net assets, beginning balance	\$ 14,972	\$ 153,196	\$ 168,168
Contributions	25,210	0	25,210
Realized (losses)	(18)	(62)	(80)
Unrealized (losses)	(1,974)	(6,421)	(8,395)
Interest and dividends	1,033	3,972	5,005
Management and administrative fees	(282)	(1,668)	(1,950)
Endowment net assets, ending balance	<u>\$ 38,941</u>	<u>\$ 149,017</u>	<u>\$ 187,958</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, 2020:

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	\$ 65,567	\$ 55,232	\$ 10,335	\$ 0
Fixed income funds	11,081	9,334	1,747	0
Private equity/hedge funds	8,551	7,203	1,348	0
Cash funds	<u>3,874</u>	<u>3,264</u>	<u>610</u>	<u>0</u>
Total Funds Invested	\$ 89,073	\$ <u>75,033</u>	\$ <u>14,040</u>	\$ <u>0</u>
Total Net Asset Value	<u>98,885</u>			
	<u>\$ 187,958</u>			

NOTE 3 - EQUIPMENT, NET

Equipment, net, at June 30, 2020 consisted of the following:

Equipment	\$ 20,749
Less: accumulated depreciation	<u>(5,536)</u>
Equipment, net	<u>\$ 15,213</u>

Depreciation expense for the year ended June 30, 2020 totaled \$3,814.

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 consisted of the following:

Norris Gaynor Scholarship Fund (see Note 2)	\$ 149,017
Amounts included in cash and cash equivalents:	
Lennar Management Fund	147,532
Public Interest Fund	10,838
Norris Gaynor Additional Scholarship	7,200
Sea Turtle Nesting	7,718
Shark Research	6,421
Education – Shultz Foundation	4,350
Marco Island Shell Club	1,700
MMA Vessel	<u>928</u>
Total included in cash and cash equivalents (see Note 5)	<u>186,687</u>
Total net assets with donor restrictions	<u>\$ 335,704</u>

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During 2020, 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 Lennar Management Fund	\$ 36,001
Distribution of funds for Sea Turtle Nesting	6,457
Distribution of funds for Shark Research	2,181
Distribution of funds for the Marco Island Shell Club	2,000
Distribution of funds for the Education – Shultz Foundation	650
Distribution of funds for MMA Vessel	<u>160</u>
Total satisfaction of purpose restrictions	<u>\$ 47,449</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, 2020, consist of the following:

Cash and cash equivalents, unrestricted	\$ 82,457
Cash and cash equivalents, donor restricted	186,687
Accounts receivable	2,388
Beneficial interest in assets held by others (See Note 2)	187,958
Less those unavailable for general expenditures within one-year due to:	
Board designated funds	(64,160)
Norris Gaynor Scholarship Fund (See Notes 2 and 4)	(149,017)
Donor restricted funds (See Note 4)	<u>(186,687)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 59,626</u>

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

NOTE 6 - COVID- 19 PANDEMIC AND RELATED LOANS

During fiscal 2020, a health care pandemic, coronavirus ("COVID-19"), has occurred in the United States and internationally. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings and personal interactions until the risk has diminished. The Organization has taken measures to protect its contracted staff and employee, as well as potential visitors during this time, including the suspension and closure of certain operations and the cancellation of planned fund-raising events.

As a result of the pandemic, the government signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act supports certain employers that operated a business during 2020 and retained employees, despite experiencing economic hardship related to COVID-19, with the opportunity to

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - COVID - 19 PANDEMIC AND RELATED LOANS (CONTINUED)

apply for a Paycheck Protection Program loan ("PPP" loan) administered through the Small Business Administration ("SBA"). The Organization applied for and received PPP loan funding totaling \$16,992 on April 20, 2020. The terms of this loan provide interest calculated at a rate of 1% and a two-year repayment schedule (final payment due on April 20, 2022) with deferment of any payments owed on the loan for the first 6 months following receipt of the loan proceeds. This loan is secured by the Organization's property and assets. Further, the provisions of the PPP loan provide for potential forgiveness of all or a portion of this loan if the Organization can demonstrate that it used the funds for payroll and other specific expenses as defined by the PPP loan program. If the loan is either partially or fully forgiven, the amount of the loan forgiven will be recorded as contributions income when such forgiveness is received. However, the Organization has not formally applied for nor received such loan forgiveness as of the date that the audited financial statements were available to be issued. Therefore, the full amount of the PPP loan has been included as an outstanding loan on the Statement of Financial Position as of June 30, 2020.

Future minimum required principal payments on the PPP loan as of June 30, 2020 are as follows:

<u>YEARS ENDING JUNE 30</u>	<u>AMOUNT</u>
2021	\$ 7,559
2022	<u>9,433</u>
Total PPP Loan	<u>\$ 16,992</u>

No interest expense of significance was incurred or paid on this PPP loan for the year ended June 30, 2020.

The Organization also applied for and received a grant through the Economic Injury Disaster loan ("EIDL") totaling \$1,000 during May 2020. The EIDL loan program is also administered through the SBA. This amount also been included as an outstanding loan on the statement of financial position as of June 30, 2020.

Depending on the duration of the COVID - 19 pandemic and its continued impact on the operations of FORB, the crisis has the potential to negatively impact the future operating results and the liquidity of the Organization. Management, along with the Board of Directors, is closely monitoring the situation and has performed updated cash flow projections, assuming various scenarios related to the Organization's future operations, if the pandemic persists and has also developed cost reduction plans, if needed. Based on these projections and plans, FORB believes it has adequate funding for operations for at least twelve months from the date the financial statements were available to be issued.



**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**

Nathan A. Phillips, CPA
Deborah L. Harvey, CPA (Decc)

Stephanie J. Feldman, CPA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
David N. Phillips, CPA, MBA
Courtney L. Cound, CPA

October 8, 2020

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 Organization" or "FORB", a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FORB'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FORB's internal control. Accordingly, we do not express an opinion on the effectiveness of the FORB'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. 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, as discussed below, that we consider to be a significant deficiency.

To the Board of Directors
FRIENDS OF ROOKERY BAY, INC.
October 8, 2020

SIGNIFICANT DEFICIENCY:

2020-01 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 contractors. In November 2019, FORB adopted a formal risk assessment and procedures plan in an effort to help mitigate related internal control risks. Upon the implementation of the new procedures, administrative personnel now open the mail to physically receive and record deposits, while recording is done in a separate software by customer service staff. The accountant then reconciles the bank accounts and prepares the financial statements. We did note that the accountant records certain receipts and also reconciles balance sheet accounts which could result in a misappropriation of assets or the possibility of an error not caught in a timely manner. But the oversight of the Executive Director and the Treasurer help to mitigate this risk.

Further, as a result of government mandates related to the COVID-19 pandemic resulting in restrictions on the staff's ability to enter FORB's facilities starting in March 2020 (and still in place as of the date of these financial statements), certain functions are now being performed by solely the accountant and the Executive Director. Although the Organization attempts to follow the newly adopted procedures under these strict mandates when possible, the governmental restrictions often prevent FORB's ability to fully adhere to the Organization's approved procedures.

To the extent possible, duties should always 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 applaud the Organization's efforts during 2020 in making great strides to improve proper segregation of duties and oversight.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FORB'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'S response to the findings identified above is as follows:

In response to the identified significant deficiency (2020-01), we acknowledge the importance of continuing to evaluate and further strengthen our financial policies and procedures to provide for adequate and proper segregation of duties as well as strengthening of our oversight and monitoring processes to safeguard the assets of the Organization. FORB made significant progress in 2020, with the exception of the time we have been and continue to be, impacted by the strict government mandates resulting from the COVID-19 pandemic as noted above, and we will continue to assess our internal controls, as needed.

FORB'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 8, 2020

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.


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



October 8, 2020

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

Nathan A. Phillips, CPA
Deborah L. Harvey, CPA (Deceased)

Stephanie J. Feldman, CPA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
David N. Phillips, CPA, MBA
Courtney L. Cound, CPA

In planning and performing our audit of the financial statements of FRIENDS OF ROOKERY BAY, INC. ("the Organization" or "FORB", a nonprofit organization), as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the FORB's internal control over financial reporting (internal control) as a basis for designing 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 FORB's internal control. Accordingly, we do not express an opinion on the effectiveness of the FORB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 FORB's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the FORB's internal control to be significant deficiencies:

Significant Deficiency 1: 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 contractors. In November 2019, FORB adopted a formal risk assessment and procedures plan in an effort to help mitigate related internal control risks. Upon the implementation of the new procedures, administrative personnel now open the mail to physically receive and record deposits, while recording is done in a separate software by customer service staff. The accountant then reconciles the bank accounts and prepares the financial statements. We did note that the accountant records certain receipts and also reconciles balance sheet accounts which could result in a misappropriation of assets or the possibility of an error not caught in a timely manner. But the oversight of the Executive Director and the Treasurer help to mitigate this risk.

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To the Board of Directors
FRIENDS OF ROOKERY BAY, INC.
October 8, 2020
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Significant Deficiency 1: Lack of Segregation of Duties (continued)

Further, as a result of government mandates related to the COVID-19 pandemic resulting in restrictions on the staff's ability to enter FORB's facilities starting in March 2020 (and still in place as of the date of these financial statements), certain functions are now being performed by solely the accountant and the Executive Director. Although the Organization attempts to follow the newly adopted procedures under these strict mandates when possible, the governmental restrictions often prevent FORB's ability to fully adhere to the Organization's approved procedures.

To the extent possible, duties should always 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 applaud the Organization's efforts during 2020 in making great strides to improve proper segregation of duties and oversight.

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


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



Nathan A. Phillips, CPA
Deborah L. Harvey, CPA (Dec)

Stephanie J. Feldman, CPA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
David N. Phillips, CPA, MBA
Courtney L. Cound, CPA

October 8, 2020

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

We have audited the financial statements of THE FRIENDS OF ROOKERY BAY INC. ("FORB") for the year ended June 30, 2020, and have issued our report thereon dated October 8, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 8, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by THE FRIENDS OF ROOKERY BAY INC. are described in Note 1 to the audited financial statements. As disclosed in Note 1, FORB adopted *Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230)* in 2020, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the FORB during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of

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THE FRIENDS OF ROOKERY BAY INC.

October 8, 2020

Page 2

Qualitative Aspects of Accounting Practices (Continued)

their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of uncollectible accounts, if any, is based on historical collection rates and an analysis of individual accounts. Management utilizes the straight-line method to depreciate its capital assets and estimated useful lives are based on historical trends. The FORB relies on quoted market prices from active trading markets to estimate the fair market value of its investments. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, we did incur additional time related to testing and disclosure in the financial statements of the new Paycheck Protection Program loan and also, some additional time again this year related to testing and making certain changes to the client-provided schedule of donor restricted activity for the year. We also incurred some additional time for the implementation of *Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230)* in 2020.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2020.

THE FRIENDS OF ROOKERY BAY INC.

October 8, 2020

Page 3

Management Consultation with Other Independent Accountants

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

Other Audit Findings or Issues

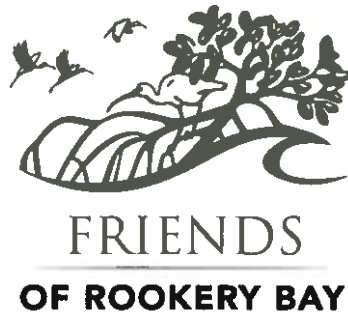
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the FORB's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not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

This information is intended solely for the use of the Board of Directors and management of THE FRIENDS OF ROOKERY BAY INC. and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

PHILLIPS HARVEY GROUP, P.A.


Nathan A. Phillips
Certified Public Accountant



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October 8, 2020

PHILLIPS HARVEY GROUP, P.A.
801 Laurel Oak Drive, Suite 303
Naples, Florida 34108

This representation letter is provided in connection with your audit of the financial statements of THE FRIENDS OF ROOKERY BAY, INC. ("FORB"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 8, 2020, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 8, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, if any, have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.



8. The notes to the financial statements disclose all of the matters of which we are aware that are relevant to the Organization's ability to continue as a going concern within a one-year period after the date the financial statements are available to be issued, including significant conditions or events, and management's plans.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, if any, under which the FORB is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
12. In regard to the financial statements and tax preparation services performed by you, we have -
 - Assumed all management responsibilities.
 - Designated Thomas Wagor, Treasurer and Athan Barkoukis, Executive Director, and Cathy Bolinger, Accountant, who have suitable skill, knowledge, or experience to oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.
 - We have reviewed, approved, and accepted responsibility for the results of those services.

Information Provided

13. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit, including, among other things:
 - i. Completeness and availability of all minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes were not yet prepared.
 - ii. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 - c. Unrestricted access to persons within the FORB from whom you determined it necessary to obtain audit evidence.
14. All material transactions have been recorded in the accounting records and are reflected in the financial statements.



15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of any fraud or suspected fraud that affects the FORB and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
17. We have no knowledge of any allegations of fraud or suspected fraud affecting the FORB's financial statements communicated by employees, former employees, grantors, regulators, or others.
18. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
19. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
20. We have disclosed to you the identity of the FORB's related parties and all the related party relationships and transactions, including any side agreements.
21. The FORB has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the notes to the financial statements.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. In addition, we represent we are in compliance with applicable provisions in the Citizen Support Organization Handbook as of June 30, 2020.
23. FORB is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the FORB's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
24. We acknowledge the FORB's Federal income tax returns for fiscal 2019, 2018, and 2017 are subject to examination by IRS, generally for three years after they were filed. The FORB recognizes tax benefits only to the extent that the FORB believes it is "more likely than not" that its tax positions will be sustained upon IRS examination.
25. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



26. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the FORB vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that severe impact means a significantly financially disruptive effect on the normal functioning of the FORB.
27. We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
29. We have provided you with all of the information that is relevant to our plans to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the Organization's ability to continue as a going concern for at least one year after the date the financial statements are available to be issued, including our evaluation of the likelihood that those plans can be effectively implemented.
30. We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives
31. Inventories at June 30, 2019 in the aggregate amount of \$30,766, respectively, are stated at the lower of cost or net realizable value, and consistently applied with the prior year, and due provision was made to reduce all slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values. Inventory quantities at June 30, 2020 were determined from the FORB's inventory records, which have been adjusted on the basis of physical inventories taken by competent employees at June 30, 2020. Liability, if unpaid, for all items included in inventories is recorded at June 30, 2020.
32. We represent the expenses allocation methods used as denoted in 2020 functional expenses statement properly display FORB's 2020 program and supporting services and related use.
33. We have reviewed the fixed asset detail report and believe that all assets listed are appropriate and active assets at June 30, 2020 and that assigned useful lives are reasonable.
34. We understand that you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting the information in FORB's general ledger into a working trial balance.

Phillips Harvey Group, P.A.
October 8, 2020
Page 5



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35. We acknowledge the significant deficiency as disclosed in FORB's 2020 Audit Report and will strive for additional separation of duty procedures to the extent possible in fiscal 2021.
36. We have complied with the approved and intended use of all donor restricted funds. Also, net assets with donor restrictions at June 30, 2020 are properly classified as denoted in the notes to the financial statements.
37. As part of your audit, you prepared the audited financial statements and related notes from the trial balance and the FORB's books and records. We have reviewed, approved and accepted responsibility for those audited financial statements and related notes and believe they are adequately supported by FORB books and records.
38. We have reviewed adjusting journal entries you have proposed and understand the nature of the changes and their impact on the audited financial statements. We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the FORB's accounts.

Sincerely,

THE FRIENDS OF ROOKERY BAY, INC.


Thomas Wagor, Treasurer


Athan Barkoukis, Executive Director


Cathy Bolinger, Accountant