

FRIENDS OF ROOKERY BAY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

FRIENDS OF ROOKERY BAY, INC.

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JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Nathan A. Phillips, CPA
Stephanie J. Feldman, CPA
Deborah L. Harvey, CPA *(Deceased)*

David N. Phillips, CPA, MBA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
Courtney L. Cound, CPA
Keith S. Boyle, CPA

September 24, 2021

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, 2021, 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.
September 24, 2021

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, 2021, 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 September 24, 2021, 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, 2021**

ASSETS

Cash and cash equivalents, unrestricted	\$ 214,535
Accounts receivable	9,323
Prepaid expenses	5,337
Inventories	24,007
Cash and cash equivalents, donor restricted	189,111
Beneficial interest in assets held by others	249,622
Equipment, net	9,730
	<hr/>
Total Assets	\$ 701,665
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	9,885
Accrued payroll	2,191
Deferred lifetime memberships	27,000
Total Liabilities	39,076
	<hr/>
Commitments and Contingencies	-
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NET ASSETS

Without donor restrictions:	
Undesignated	198,598
Board designated endowment fund	55,689
Board designated emergency fund	25,257
Total without donor restrictions	279,544
	<hr/>
With donor restrictions	383,045
	<hr/>
Total Net Assets	662,589
	<hr/>
	\$ 701,665
	<hr/> <hr/>

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, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUES			
Contributions	\$ 151,145	\$ 120,252	\$ 271,397
Grant, Payroll Protection Program ("PPP")	39,429	-	39,429
Grant, Economic Injury Disaster Program ("EIDL")	1,000	-	1,000
Program service fees	140,914	-	140,914
Other retail income	10,806	-	10,806
Special events revenue, including in-kind	125,474	-	125,474
Rental income	1,400	-	1,400
Investment income, net	9,494	44,916	54,410
Other Interest income	-	332	332
(Loss) gain on disposal of asset	(10,187)	-	(10,187)
Other income	1,860	-	1,860
	<u>471,335</u>	<u>165,500</u>	<u>636,835</u>
Net assets Released From Restrictions	<u>118,159</u>	<u>(118,159)</u>	<u>-</u>
Total Support and Revenues	<u>589,494</u>	<u>47,341</u>	<u>636,835</u>
EXPENSES			
Program services:			
Educational	174,098	-	174,098
Supporting services:			
Management and general	196,108	-	196,108
Fundraising	99,697	-	99,697
	<u>469,903</u>	<u>-</u>	<u>469,903</u>
Total Expenses	<u>469,903</u>	<u>-</u>	<u>469,903</u>
Change in Net Assets	119,591	47,341	166,932
Net Assets, June 30, 2020	<u>159,953</u>	<u>335,704</u>	<u>495,657</u>
Net Assets, June 30, 2021	<u>\$ 279,544</u>	<u>\$ 383,045</u>	<u>\$ 662,589</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, 2021**

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
	<u>EDUCATIONAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	
Administrative Fee	\$ 21,484	\$ -	\$ -	\$ 21,484
Awards and Grants	-	-	405	405
Cost of Sales	-	-	10,844	10,844
Depreciation and Amortization	-	5,483	-	5,483
Insurance	-	6,059	-	6,059
Marketing and Advertising	474	2,324	1,216	4,014
Merchant Fees	1,497	2,676	1,265	5,438
Books, Subscriptions, Reference Materials	797	6,072	1,268	8,137
Postage, Mailing, Shipping	40	1,080	865	1,985
Printing and Copying	6,328	721	508	7,557
Salary and Benefits	28,863	50,345	42,732	121,940
Professional Fees and Contract Services	90,124	107,733	2,148	200,005
Program Expenses	20,088	1,031	311	21,430
Special Event Expenses	-	-	34,616	34,616
Supplies	1,095	2,128	891	4,114
Taxes and Licenses	100	214	-	314
Travel, Conferences, Meetings	318	3,024	169	3,511
Website Hosting	-	2,131	5	2,136
Other Expenses	2,890	5,087	2,454	10,431
Total Expenses	\$ 174,098	\$ 196,108	\$ 99,697	\$ 469,903

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, 2021**

Cash Used in Operating Activities:

Change in net assets	\$	166,932
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of the initial PPP and EIDL loans		(17,992)
Depreciation		5,483
Investment gain, net		(54,410)
Loss on disposal of donated asset, artwork		10,187
(Increase) decrease in operating assets:		
Receivables		(6,935)
Inventories		6,759
Prepaid expenses		(5,337)
Increase (decrease) in operating liabilities:		
Accounts payable		3,065
Accrued payroll		2,191
Deferred lifetime memberships		27,000
Net cash provided by operating activities		<u>136,943</u>

Cash Used in Investing Activities:

Purchases of beneficial interest in assets		(11,708)
Proceeds from the sale of beneficial interest in assets		4,454
Proceeds from the disposal of donated asset, artwork		4,813
Net cash (used in) investing activities		<u>(2,441)</u>

Net change in cash and cash equivalents 134,502

**Cash and Cash Equivalents, Unrestricted and Donor Restricted:
Beginning, June 30, 2020** 269,144

Ending, June 30, 2021 \$ 403,646

Cash and Cash Equivalents, June 30, 2021 comprised as follows:

Unrestricted	214,535
Donor restricted	189,111
	<u>403,646</u>

Total Cash and Cash Equivalents, June 30, 2021 \$ 403,646

Supplemental Disclosures of Noncash Activities:

Forgiveness of the initial PPP and EIDL loans recognized as grant income for the year ended June 30, 2021	\$	<u>17,992</u>
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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. The Organization also utilizes 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 May 2014, the FASB issued *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition guidance stipulates revenue to be recognized when the required performance objective is met. FORB adopted the requirements of the new revenue recognition guidance as of July 1, 2020, utilizing the full retrospective transition method which requires that the cumulative effect of the changes related to the adoption be charged to beginning net assets balance, if any. Adoption of the new guidance resulted in changes to FORB's accounting policies for revenue recognition. However, there was no significant impact to beginning net assets as there were no identified contracts requiring an adjustment under this new standard.

Financial Statement Presentation

The Organization presents 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, 2021, see Note 4.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

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, 2021 totaling approximately \$149,000. 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 cash that must be used to acquire 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.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Deferred Lifetime Memberships

FORB offers lifetime memberships allowing members to pay one sum for membership benefits covering the remainder of his or her lifetime. FORB sold three such memberships during the year ended June 30, 2021. Under the newly adopted revenue recognition standard, *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*, the revenue from these lifetime memberships is being recognized as the performance objectives are met by providing membership benefits over the expected life expectancy of these members. As of June 30, 2021, \$27,000 was recorded as deferred lifetime memberships on the statement of financial position to be recognized as revenues in future years.

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. Conditional contributions, if any, are not recognized until any barriers to entitlement are met. The Organization reports donations of cash contributions received, which were 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 utilizes 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 the performance obligation is met. Program service fees, special events revenue 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 2018, 2019, and 2020 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 September 24, 2021, the date that the audited financial statements were available to be issued. There were no subsequent events identified.

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. In accordance with generally accepted accounting principles, 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. The Organization followed these accounting principles 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 an informal investment policy mirroring the CFCC's investment return objectives. The FORB Fund and the Scholarship Fund endowment balances at June 30, 2021 were \$55,689 and \$193,933, 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 the beneficial interest in assets held by others for these funds as of and for the year ended June 30, 2021 are as follows:

	<u>WITHOUT DONOR RESTRICTIONS "FORB"</u>	<u>WITH DONOR RESTRICTIONS "SCHOLARSHIP"</u>	<u>TOTAL</u>
Beginning balance, June 30, 2020	\$ 38,941	\$ 149,017	\$ 187,958
Contributions	11,708	0	11,708
Distributions	(4,454)	0	(4,454)
Realized gain	761	4,669	5,430
Unrealized gain	8,130	37,834	45,964
Interest and dividends	1,002	4,162	5,164
Management and administrative fees	(399)	(1,749)	(2,148)
Ending balance, June 30, 2021	<u>\$ 55,689</u>	<u>\$ 193,933</u>	<u>\$ 249,622</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, 2021:

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	\$ 75,478	\$ 63,235	\$ 12,243	\$ 0
Fixed income funds	10,122	8,480	1,642	0
Private equity/hedge funds	8,473	7,099	1,374	0
Cash funds	<u>2,880</u>	<u>2,413</u>	<u>467</u>	<u>0</u>
Total Funds Invested	\$ 96,953	\$ 81,227	\$ 15,726	\$ 0
Total Net Asset Value	<u>152,669</u>			
	<u>\$ 249,622</u>			

NOTE 3 - EQUIPMENT, NET

Equipment, net, at June 30, 2021 consisted of the following:

Equipment	\$ 20,749
Less: accumulated depreciation	<u>(11,019)</u>
Equipment, net	<u>\$ 9,730</u>

Depreciation expense for the year ended June 30, 2021 totaled \$5,483.

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 consisted of the following:

Norris Gaynor Scholarship Fund (see Note 2)	\$ 193,933
Amounts included in cash and cash equivalents:	
Lennar Management Fund	147,583
Public Interest Fund	4,668
Norris Gaynor Additional Scholarship	7,350
Sea Turtle Nesting	14,417
Shark Research	10,591
Education	340
Research	2,384
Stewardship – Fire Management	850
MMA Vessel	<u>929</u>
Total included in cash and cash equivalents (see Note 5)	<u>189,112</u>
Total net assets with donor restrictions	<u>\$ 383,045</u>

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During 2021, 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	\$	73,280
Public Interest Fund		6,170
Sea Turtle Nesting		12,641
Shark Research		6,137
Marco Island Shell Club		1,700
Education – Shultz Foundation		4,350
Education		10,060
Research		421
Stewardship		<u>3,400</u>
Total satisfaction of purpose restrictions	\$	<u>118,159</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, 2021, consist of the following:

Cash and cash equivalents, unrestricted	\$	214,535
Cash and cash equivalents, donor restricted		189,111
Accounts receivable		9,323
Beneficial interest in assets held by others (See Note 2)		249,622
Less those unavailable for general expenditures within one-year due to:		
Board designated funds		(80,946)
Norris Gaynor Scholarship Fund (See Notes 2 and 4)		(193,933)
Donor restricted funds (See Note 4)		<u>(189,112)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>198,600</u>

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

NOTE 6 - COVID-19 PANDEMIC AND FEDERAL RELIEF

During fiscal 2020, a health care pandemic, coronavirus (“COVID-19”), erupted and continues to persist in the United States and internationally. Although the federal, state, and municipal government enacted restrictions set in place to curtail the spread of the virus have eased somewhat, the Organization continues to take various measures to protect its contracted staff and employees, as well as visitors, including the suspension and closure of certain operations and the modification or even cancellation of various planned fund-raising events, as needed, to ensure safety in fiscal 2021.

FRIENDS OF ROOKERY BAY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - COVID-19 PANDEMIC AND FEDERAL RELIEF (CONTINUED)

During fiscal 2020, the government signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to support certain employers that operated a business during 2020 and retained employees, despite experiencing economic hardship related to COVID-19, providing the opportunity to apply for a Paycheck Protection Program loan ("PPP" loan). The Organization applied for and received PPP loan funding totaling \$16,992 on April 20, 2020 which was recorded as an outstanding loan in the statement of position as of June 30, 2020. The provisions of the PPP loan provide for potential forgiveness of all or a portion of the loan if the Organization can demonstrate that it used the funds for payroll and other specific expenses as defined by the PPP loan program. During fiscal year 2021, the Organization applied for and received full forgiveness of this PPP loan, as approved by the Small Business Administration ("the SBA"). Accordingly, following the guidance in ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, the amount was recorded as grant income in the statement of activities for the year ended June 30, 2021.

Additionally, in fiscal 2020, the Organization applied for and received a grant through the Economic Injury Disaster Loan ("EIDL") totaling \$1,000 which was received in May 2020 and was also recorded as an outstanding loan on the statement of financial position as of June 30, 2020. For the year ended June 30, 2021, the amount was recorded as additional grant income in the statement of activities.

During 2021, as the COVID-19 pandemic continued, the government provided the opportunity for certain businesses still experiencing economic hardship related to COVID-19 to apply for a "second" PPP loan, which also included provisions for potential forgiveness of all or a portion of the loan if the Organization could demonstrate it used the funds for payroll and other specific expenses as defined by the PPP loan program. The Organization applied for and received additional PPP loan funding totaling \$22,437 on April 7, 2021. The second PPP loan related to a period of coverage from April 7, 2021 through June 30, 2021. As the Organization was able to demonstrate that it had fully met the requirements for forgiveness as of the end of its 2021 fiscal year, as defined by the PPP loan program, the Organization determined that "all barriers" in the agreement had been overcome. Thus, in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, the Organization recorded the amount as grant income in the statement of activities for the year ended June 30, 2021. The Organization did receive full forgiveness of this loan, approved by the SBA on August 11, 2021.

OTHER REPORT

**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
Stephanie J. Feldman, CPA
Deborah L. Harvey, CPA (*Deceased*)

David N. Phillips, CPA, MBA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
Courtney L. Cound, CPA
Keith S. Boyle, CPA

September 24, 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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 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 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 FORB'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.
September 24, 2021

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 these procedures, administrative personnel 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, however 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 causing restrictions on the staff's ability to enter FORB's facilities starting in March 2020 and continuing through May 2021, certain functions were performed by solely the accountant and the Executive Director. The governmental restrictions during this time prevented FORB's ability to fully adhere to the Organization's approved procedures and continued for the majority of the 2021 fiscal year. The Organization did make all efforts to segregate key accounting functions during this operationally challenging time.

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 continue to acknowledge the importance of properly implementing and adhering to our approved financial policies and procedures to provide adequate and proper segregation of duties as well as strengthening our oversight and monitoring processes to safeguard the assets of the Organization. The strict government mandates resulting from the COVID-19 pandemic, which severely restricted FORB's operations, as noted above, hindered our efforts for much of 2021. However, now that the government mandates have relaxed, we are diligently following our approved financial policies and procedures for 2022.

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.
September 24, 2021

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

Audit Committee Letter

PhillipsHarvey
GROUP

September 24, 2021

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

Nathan A. Phillips, CPA
Stephanie J. Feldman, CPA
Deborah L. Harvey, CPA (Deed)

David N. Phillips, CPA, MBA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
Courtney L. Cound, CPA
Keith S. Boyle, CPA

We have audited the financial statements of THE FRIENDS OF ROOKERY BAY INC. ("FORB") for the year ended June 30, 2021, and have issued our report thereon dated September 24, 2021. 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 *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)* in 2021, which outlines a single comprehensive model for organizations to use in accounting for revenues arising from contracts with customers. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. 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 their significance to the financial statements and because of the possibility that future events affecting

Qualitative Aspects of Accounting Practices (Continued)

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, held with The Community Foundation of Collier County. 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 reconciling 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 *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)* in 2021.

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. The attached schedule summarizes these misstatements, some of which are considered material, detected as a result of audit procedures and corrected by management.

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 September 24, 2021.

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

Client: 10570 - Friends of Rookery Bay, Inc.
 Engagement: 10570 - Friends of Rookery Bay, Inc.
 Period Ending: 6/30/2021
 Trial Balance: 2100.00 - Trial Balance
 Workpaper: 2200.05 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To reverse accrual for Norris Gaynor Add'l Scholarship not used until FY'22				
24200	Accrued Expenses		7,200.00	
62270	Intern Stipends			7,200.00
Total			7,200.00	7,200.00
Adjusting Journal Entries JE # 2				
To recognize 2nd PPP loan as conditional grant income for 2020				
24500	SBA PPP Loan		22,437.00	
46420	Other Income			22,437.00
Total			22,437.00	22,437.00
Adjusting Journal Entries JE # 3				
To adjust a portion of the membership revenue for the 3 lifetime memberships sold in FY'21 to deferred revenues (to be recognized in future years), in accordance with the new revenue recognition standard				
47201	Membership Revenue		27,000.00	
25000	Deferred Lifetime Memberships			27,000.00
Total			27,000.00	27,000.00
Total Adjusting Journal Entries			56,637.00	56,637.00
Total All Journal Entries			56,637.00	56,637.00

Management Recommendation Letter



Nathan A. Phillips, CPA
Stephanie J. Feldman, CPA
Deborah L. Harvey, CPA (Decd)

David N. Phillips, CPA, MBA
Michelle V. Schalmo, CPA
Shannon Huber, CPA
Courtney L. Cound, CPA
Keith S. Boyle, CPA

September 24, 2021

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

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, 2021, 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 these procedures, administrative personnel are to open the mail to physically receive and record deposits,

Significant Deficiency 1: Lack of Segregation of Duties (continued)

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, however the oversight of the Executive Director and the Treasurer help to mitigate this risk.

To the Board of Directors

Further, as a result of government mandates related to the COVID-19 pandemic causing restrictions on the staff's ability to enter FORB's facilities starting in March 2020 and continuing through May 2021, certain functions were performed by solely the accountant and/or the Executive Director. The governmental restrictions during this time prevented FORB's ability to fully adhere to the Organization's approved procedures and such governmental restrictions continued for the majority of the 2021 fiscal year. The Organization did make all efforts possible to segregate key accounting functions during this operationally challenging time.

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

Management Representation Letter



FRIENDS
OF ROOKERY BAY

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Friends of Rookery Bay
300 Tower Rd
Naples, FL 34113
(239) 530-5972
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September 24, 2021

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 FRIENDS OF ROOKERY BAY, INC. ("FORB"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the disclosures (collectively, 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 September 24, 2021, 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.



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September 24, 2021



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8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
10. 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.

Information Provided

11. 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.
 - c. Unrestricted access to persons within FORB from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. 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.
14. We have no knowledge of any fraud or suspected fraud that affects 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.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting FORB's financial statements communicated by employees, former employees, grantors, regulators, or others.
16. 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.
17. 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.



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18. We have disclosed to you the identity of FORB's related parties and all the related party relationships and transactions, including any side agreements.
19. 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.
20. 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, 2021.
21. 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 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.
22. We acknowledge FORB's Federal income tax returns for fiscal 2020, 2019, and 2018 are subject to examination by IRS, generally for three years after they were filed. FORB recognizes tax benefits only to the extent that FORB believes it is "more likely than not" that its tax positions will be sustained upon IRS examination.
23. 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.
24. 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 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 FORB.
25. 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.
26. 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.



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Friends of Rookery Bay
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27. 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
28. Inventories at June 30, 2021 in the aggregate amount of \$24,007, 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, 2021 were determined from FORB's inventory records, which have been adjusted on the basis of physical inventories taken by competent employees at June 30, 2021. Liability, if unpaid, for all items included in inventories is recorded at June 30, 2021.
29. We represent the expenses allocation methods used to prepare the 2021 functional expenses statement properly present FORB's 2021 program and supporting services and related use.
30. We have reviewed the fixed asset detail report and believe that all assets listed are appropriate and active assets at June 30, 2021 and that assigned useful lives are reasonable.
31. 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.
32. We acknowledge the significant deficiency as disclosed in FORB's 2021 Audit Report, primarily the result of the COVID-19 impact on FORB, as procedures were previously implemented to address the matter.
33. We acknowledge that amounts reported as of June 30, 2021 as "Board Designated" in the audited financial statements are amounts designated by the Board of Directors for specific intended purposes which could only be changed with approval of the Board.
34. We have complied with the approved and intended use of all donor restricted funds. Also, net assets with donor restrictions at June 30, 2021 are properly classified as denoted in the notes to the financial statements.
35. As part of your audit, you prepared the audited financial statements and related notes from the trial balance and 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.
36. 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 FORB's accounts.



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September 24, 2021
Page 5

37. Upon implementation of ASU 2014-09, revenue from contracts with customers has been appropriately accounted for and disclosed in accordance with FASB ASC 606, Revenue from Contracts with Customers. We have considered side agreements, implied promises, and unstated customary business practices in identifying performance obligations in identified contracts with customers. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amount and timing of revenue recognized in the financial statements.

38. In regards to the financial statements preparation and annual tax return preparation services performed by you, we have

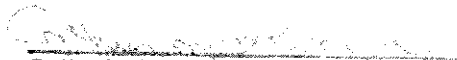
- a. Assumed all management responsibilities.
- b. Designated Thomas Wagor, Treasurer, Athan Barkoukis, Executive Director, and Cathy Bolinger, Accountant, who have suitable skill, knowledge, or experience to oversee the services.
- c. Evaluated the adequacy and results of the services performed.
- d. Accepted responsibility for the results of the services

Sincerely,

FRIENDS OF ROOKERY BAY, INC.


Thomas Wagor, Treasurer


Athan Barkoukis, Executive Director


Cathy Bolinger, Accountant