

Financial Statements
and Supplementary Information

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Year ended June 30, 2022
with Report of Independent Auditors



Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Financial Statements
and Supplementary Information

Year ended June 30, 2022

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Report of Independent Auditors

Board of Directors
Florida Engineers Management Corporation

Opinion

We have audited the financial statements of the Florida Engineers Management Corporation (the Corporation) which comprise the statement of net position as of June 30, 2022, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of the Corporation, as of June 30, 2022, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, the Corporation adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibility for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 8 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General*, and the schedule of findings and questioned costs relating to state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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Other Information (continued)

Management is responsible for the schedule of expenditures of state financial assistance and the schedule of findings and questioned costs relating to state financial assistance. The other information comprises the schedule of expenditures of state financial assistance and the schedule of findings and questioned costs relating to state financial assistance, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2022 on our consideration of the Corporation'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 solely 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 the Corporation'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 Corporation's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
August 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Florida Engineers Management Corporation (the Corporation) presents management's discussion and analysis of the Corporation's financial performance during the fiscal years ended June 30, 2022, and 2021. It should be read in conjunction with the Corporation's financial statements immediately following this section.

Background and Funding Information

The Corporation is a nonprofit corporation created by the passage of Chapter 97-312, Laws of Florida, Section 471.038, *Florida Statutes*, during the 1997 Florida Legislature. Its purpose is to provide administrative, investigative, and prosecutorial services to the Florida Board of Professional Engineers (the Board). Florida Engineers Management Corporation receives funding from legislative appropriations to the Florida Department of Business and Professional Regulation (the Department). The fiscal year is July 1 through June 30.

The Corporation's Board is comprised of seven members: five members appointed by the Florida Board of Professional Engineers and who must be registrants in Florida and two members who are appointed by the Secretary of the Department of Business and Professional Regulation and who must be laypersons not regulated by the Board.

Overview of the Financial Statements

This annual report consists of management's discussion and analysis, and the financial statements. The Corporation's reporting entity consists of one enterprise fund. Therefore, the financial statements provide information about the Corporation's overall financial status. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Corporation's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

- The Statement of Net Position presents information on all assets and liabilities of the Corporation with the difference between the assets and liabilities reported as net position.
- The Statement of Revenues, Expenses, and Changes in Net Position presents information on all revenues and expenses of the Corporation and the change in net position.
- The Statement of Cash Flows presents information regarding changes in cash resulting from cash receipts and cash disbursements during the reporting period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Highlights

The Corporation has an ongoing commitment to providing outstanding service to applicants, licensees, and the public while maintaining a strong focus on the fiduciary responsibility of excellent budget management. Management and staff continue to streamline workflow processes through technological upgrades, allowing for improved application processing and reductions in personnel and related expenses. To promote professional licensure and to help alleviate unlicensed activity, the Corporation has continued to increase public outreach and education regarding the services it provides. This has been accomplished through presentations at universities and various professional organizations in Florida, along with professional publications and maintaining an active presence on social media platforms.

This fiscal year required the implementation of GASB Statement No. 87 which increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees.

Financial Analysis

Statements of Net Position

The following schedule provides a summary of the assets, liabilities, and net position of the Corporation as of June 30, 2022, and 2021:

	<u>2022</u>	<u>2021</u>
Assets		
Current assets	\$ 423,273	\$ 315,181
Capital assets	108,403	85,836
Other noncurrent assets	544,495	-
Total assets	<u>\$ 1,076,171</u>	<u>\$ 401,017</u>
Liabilities		
Current liabilities	\$ 483,311	\$ 268,597
Noncurrent liabilities	441,154	-
Total liabilities	<u>\$ 924,465</u>	<u>\$ 268,597</u>
Net position		
Net investment in capital assets	108,403	77,836
Restricted	<u>43,303</u>	<u>54,584</u>
Total net position	<u>\$ 151,706</u>	<u>\$ 132,420</u>

Total assets increased due to the Corporation receiving full contract funding from the Department and approximately \$34,000 in cash in an unclaimed property settlement from the Department of Financial Services. Total liabilities increased primarily due to an increase in the reversion amount to be paid to the Department compared to the last fiscal year. Both Noncurrent Assets and Noncurrent Liabilities increased due to the implementation of GASB 87.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statements of Revenues, Expenses, and Changes in Net Position

The following schedule provides a summary of the revenues, expenses, and changes in net position for the years ended June 30, 2022, and 2021:

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 2,168,815	\$ 2,040,623
Operating expenses	1,978,763	1,964,646
Other income	<u>29,952</u>	<u>—</u>
Excess of revenues over expenses	220,004	75,977
Reversion to the state of Florida	<u>(200,718)</u>	<u>(79,153)</u>
Change in net position	19,286	(3,176)
Total net position, beginning of year	<u>132,420</u>	<u>135,596</u>
Total net position, end of year	<u>\$ 151,706</u>	<u>\$ 132,420</u>

Operating Revenues

The Florida Engineers Management Corporation is funded by a line-item legislative appropriation set out in the Department of Business and Professional Regulation's annual budget.

Operating Expenses

The excess of revenue over expenses of \$220,004 is due to continued diligence by management to minimize operating expenses as well as a one-time increase in other revenue by \$34,858. Annual operating expenses of \$1,978,763 were 9.0% under budget and \$14,117 more than the fiscal year ended June 30, 2021, mostly due to the GASB 87 reclassification of leases and the related expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Corporation's operating expenses for the fiscal year ended June 30, 2022, focused on the following major areas:

- In January, one full-time position was eliminated, and another was reduced to half-time. These positions were restructured with existing staff, resulting in savings in salaries, benefits, and payroll taxes.
- In April, the Corporation received notification from the Department of Financial Services of the existence of unclaimed property of \$34,858. This unclaimed property was due to the demutualization of an insurance company in 2001 of which the Corporation was a policyholder. The claim was filed, and the funds were received in October.
- Because of the COVID-19 pandemic, travel was kept at a minimum until December, after which board meetings, as well as employee training, resumed as normal.

Economic Factors and Next Year's Budget

A new four-year contract for the period beginning July 1, 2021, and ending June 30, 2025, was signed in June 2021. Grants and aid funds for \$2,070,000 and unlicensed activity funds in the amount of \$100,875 for the four fiscal years comprised the total annual budget of \$2,170,875 for a total four-year contract of \$8,683,500. A fee of \$19,200 per fiscal year for a four-year total of \$76,800 for services provided by the contract monitor at DBPR is included in the four-year contract.

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Statement of Net Position

June 30, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 366,298
Accounts receivable	9,642
Prepaid expenses and deposits	<u>47,333</u>
Total current assets	423,273

Noncurrent assets:

Deposits	10,136
Capital assets, net	108,403
Leases, right-of-use assets	<u>534,359</u>
Total noncurrent assets	<u>652,898</u>

Total assets \$ 1,076,171

Liabilities and net position

Current liabilities:

Accounts payable and accrued expenses	\$ 156,022
Due to Florida Department of Business and Professional Regulation	219,918
Lease liabilities, current	<u>107,371</u>
Total current liabilities	483,311

Noncurrent liabilities:

Lease liabilities, noncurrent	<u>441,154</u>
Total noncurrent liabilities	<u>441,154</u>

Total liabilities 924,465

Net position:

Net investment in capital assets	108,403
Restricted	<u>43,303</u>
Total net position	151,706

Total liabilities and net position \$ 1,076,171

See accompanying notes.

Florida Engineers Management Corporation
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Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2022

Operating revenues:

Transfer in- Florida Department of Business and Professional Regulation	\$ <u>2,168,815</u>
Total operating revenues	<u>2,168,815</u>

Operating expenses:

Salaries and benefits	1,187,157
Professional and consulting fees	320,360
Occupancy costs	76,597
Meeting and travel expenses	81,661
Depreciation and amortization	130,538
Postage	11,964
Repairs and maintenance	4,233
Printing and copying	10,872
Telephone	24,760
Office supplies and expenses	50,839
Insurance	24,185
Contract monitoring	19,200
Dues and subscriptions	15,160
Testing services and fees	6,500
Employee training	10,287
Interest expense	<u>4,450</u>
Total operating expenses	<u>1,978,763</u>
Excess of revenues over expenses	190,052
Reversion to Florida Department of Business and Professional Regulation	(200,718)
Other income	<u>29,952</u>
Change in net position	19,286
Net position at beginning of year	<u>132,420</u>
Net position at end of year	<u>\$ 151,706</u>

See accompanying notes.

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Statement of Cash Flows

Year ended June 30, 2022

Cash flows from operating activities

Receipts from Florida Department of Business and Professional Regulation	\$ 2,189,125
Payments to vendors	(752,422)
Payments to employees	<u>(1,187,157)</u>
Net cash provided by operating activities	<u>249,546</u>

Cash flows from financing activities

Purchase of capital assets	(70,431)
Lease payments	<u>(81,414)</u>
Net cash used in financing activities	<u>(151,845)</u>

Net increase in cash and cash equivalents	97,701
Cash and cash equivalents at beginning of year	<u>268,597</u>
Cash and cash equivalents at end of year	<u>\$ 366,298</u>

Reconciliation of change in net position to the net cash provided by operating activities

Change in net position	\$ 19,286
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation and amortization	130,538
Loss on disposal of capital assets	4,906
Changes in operating assets and liabilities:	
Accounts receivable	(9,642)
Prepaid expenses	(750)
Deposits	(2,136)
Accounts payable and accrued expenses	(14,221)
Due to Florida Department of Business and Professional Regulation	<u>121,565</u>
Net cash provided by operating activities	<u>\$ 249,546</u>

See accompanying notes.

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Notes to Financial Statements

Year ended June 30, 2022

1. Nature of Operations and Significant Accounting Policies

The Florida Engineers Management Corporation (the Corporation) is a nonprofit corporation created by passage of Chapter 97-312, Laws of Florida, Section 471.038, Florida Statutes, during the 1997 Florida Legislature. Its purpose is to provide administrative, investigative and prosecutorial services to the Florida Board of Professional Engineers (FBPE) (the Board). Florida Engineers Management Corporation receives funding from legislative appropriations to the Florida Department of Business and Professional Regulation (the Department). The fiscal year is July 1 through June 30.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting practices and policies are summarized as follows:

Basis of Accounting

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Corporation operates as a special purpose government engaged in business-type activities. The proprietary fund type is applicable to the Corporation, under the governmental reporting model, and its activities are accounted for as an enterprise fund.

The focus of proprietary fund measurement is on the flow of economic resources including the determination of operating income, changes in net position, financial position, and cash flows, similar to business enterprises. The Corporation's books are maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Reporting Entity

The Corporation is a component unit of the State of Florida. The Corporation has no component units for the year ended June 30, 2022.

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

New Accounting Pronouncement

In June 2016, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance was effective for fiscal years beginning after December 15, 2019; however, early adoption is permitted. In response to the coronavirus pandemic, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which extended this effective date by 18 months.

Basis of Presentation

The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Capital Assets

Capital assets are stated at cost, net of accumulated depreciation. Contributed assets are reported at fair market value as of the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. The Corporation capitalizes all capital assets with a purchase price over \$500.

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consists of amounts on hand and amounts in demand deposits with financial institutions. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Corporation has not experienced any losses in such accounts.

Accrued Leave

The Corporation's employees are entitled to personal time off (PTO) which combines time off for personal, vacation, and sick leave. PTO is based on length of employment and other factors. PTO is accrued when earned. At June 30, 2022, PTO of \$113,049 is included as a component of accounts payable and accrued expenses in the statement of net position.

Income Taxes

The Corporation qualifies for exemption from federal income taxes as a governmental entity and is not required to file a Return of Organization Exempt from Income Tax, Form 990. Therefore, no provision for income taxes has been recorded.

Operating Revenues - Transfers In

As a component unit of the State of Florida, the fixed portion of the base, annual contract from the Department is recognized as a transfer-in. Transfers-in also include amounts the Corporation invoices to the Department for unlicensed activity up to a maximum amount, based on actual expenses of the activity. Unexpended funds are reverted back to the Department on an annual basis.

Use of Estimates

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

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Restricted Funding

The Corporation receives funding through appropriations allocated to the regulation of professional engineers from the State of Florida Professional Regulation Trust Fund. It is restricted for the purposes described in Florida Statutes, Section 471.038.

Subsequent Events

The Corporation has evaluated subsequent events through August 30, 2022, the date the financial statements were available to be issued. During the period from June 30, 2022 to August 30, 2022, the Corporation did not have any material recognizable subsequent events.

2. Accounts Receivable

Accounts receivable represent amounts due from the Department for unlicensed activity. No valuation allowance has been recorded, as management deems the balances to be collectable.

3. Concentration and Contingency

The Corporation receives all of its revenue from a contract with the Department. In performing the administrative services under this contract, the Corporation collected and processed approximately \$811,000 of fees and revenues on the Board's behalf during the year ended June 30, 2022. These amounts were deposited directly into the Department's trust fund account and are not recognized as revenues of the Corporation. Therefore, they have not been recorded in the accompanying financial statements.

In June 2021, the Corporation entered into a four year contract beginning July 1, 2021 through June 30, 2025. Total funding for the contract is \$2,170,875 annually and \$8,683,500 for the contract period. The Department's performance and obligation to pay under this contract is contingent upon an annual appropriation by the Florida Legislature. In addition, upon determination by the Department and the Board, at any time during the term of the contract that the Corporation no longer operates for the benefit of the Board and in the best interest of the State, all monies and property held shall revert to the Board or the Department.

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Notes to Financial Statements

4. Capital Assets

Capital assets consist of the following:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Furniture and equipment	\$ 78,045	\$ 2,793	\$ (10,863)	\$ 69,975
Leasehold Improvements	58,739	58,970	(58,739)	58,970
Computers and Software	326,401	8,667	(9,536)	325,532
Leases, right-to-use assets, office space	-	596,920	-	596,920
Leases, right-to-use assets, equipment	<u>-</u>	<u>33,020</u>	<u>-</u>	<u>33,020</u>
	463,185	700,370	(79,138)	1,084,417
Less: Accumulated depreciation and amortization	<u>(385,349)</u>	<u>(130,538)</u>	<u>74,232</u>	<u>(441,655)</u>
	<u>\$ 77,836</u>	<u>\$ 569,832</u>	<u>\$ (4,906)</u>	<u>\$ 642,762</u>

Depreciation and amortization expense was \$130,538 for the year ended June 30, 2022.

5. Retirement Benefits

The Corporation maintains a defined contribution retirement plan established a SEP-IRA for all eligible employees having performed services within the past one year of the immediately preceding five years. The Corporation has designated a quarterly contribution of ten percent (10%) of each eligible employee's gross quarterly earnings. Contributions to the plan for the year ended June 30, 2022 was \$90,620.

Florida Engineers Management Corporation
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Notes to Financial Statements

6. Lease Commitments

The Corporation leases office space and equipment under lease agreements expiring at various dates through September 2027. The leases for office space are cancellable in the event the Corporation's program is cancelled or funding is not available. Beginning September 1, 2021 the Corporation is required to give six months written notice, pay the sum of six months rent upon notice, and forfeit the security deposit of \$8,000 in the event of cancellation. The right-to-use lease asset for office space and equipment was originally valued at \$596,920 and \$33,020, respectively. Accumulated amortization for the right-to-use lease asset for office space and equipment as of June 30, 2022 is \$81,770 and \$13,811, respectively. Future minimum lease payable and the net present value of the minimum lease payments for office space and equipment leases are as follows:

For the year ended				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2023	\$ 101,865	\$ 5,245	\$ 96,620	
2024	103,476	4,334	99,142	
2025	101,216	3,414	97,802	
2026	103,382	2,490	100,892	
2027	105,966	1,535	104,431	
Thereafter	<u>27,154</u>	<u>231</u>	<u>26,923</u>	
	<u>\$ 543,059</u>	<u>\$ 17,249</u>	<u>\$ 525,810</u>	

7. Risk Management

The Corporation is exposed to various risks of loss including general liability, property and casualty, group health and life, auto and physical damage, cyber-security, and workers' compensation. Conventional commercial insurance coverage has been purchased from various independent carriers to insure against such risk and minimize financial exposure to such risks. The Corporation is not involved in any risk pools with other governmental entities.

Other Reports
and Supplementary Information

Report of Independent Auditors 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*

Board of Directors
Florida Engineers Management Corporation

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 Florida Engineers Management Corporation (the Corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
August 30, 2022

Report of Independent Auditors on Compliance for the Major State Project
and on Internal Control Over Compliance Required by Chapter 10.650,
Rules of the Auditor General

Board of Directors
Florida Engineers Management Corporation

Report on Compliance for the State Project

Opinion on the State Project

We have audited Florida Engineers Management Corporation's (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the *Florida Department of Financial Service's State Projects Compliance Supplement* that could have a direct and material effect on the Corporation's major state project for the year ended June 30, 2022. The Corporation's state project is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its state project for the year ended June 30, 2022.

Basis for Opinion on the State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the state project. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's state project.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Auditor General*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of the major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the audit requirements of Chapter 10.650, *Rules of the Auditor General*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the audit requirements of Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
August 30, 2022

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2022

State Agency and Program Title	CSFA No.	Contract Number	Expenditures
State of Florida			
Department of Business and Professional Regulation			
Direct Program			
Florida Engineers Management Corporation (FEMC)	79.001	n/a	\$ 1,975,866

Note 1 - This Schedule of State Financial Assistance (the Schedule) includes the State grant activity of Florida Engineers Management Corporation for the year ended June 30, 2022, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*.

Note 2 - Amounts included on this Schedule include only the expenditure of State Financial Assistance received directly from an awarding agency. The amounts on the accompanying statements of activities and changes in net assets include additional expenditures associated with other resources committed by the Corporation for purposes of fulfilling the grant program.

Note 3 - There were no state awards expended in non-cash assistance.

Note 4 - There were no transfers to subrecipients during the fiscal year.

See report of independent auditors.

Florida Engineers Management Corporation
(A Component Unit of the State of Florida)

Schedule of Findings and Questioned Costs Relating to State Financial Assistance Projects

Year ended June 30, 2022

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

State Projects

Type of auditor's report issued on compliance for major state projects?	Unmodified
Internal control over state projects:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, <i>Rules of the Auditor General</i> ?	No

Identification of state projects:

<u>CFDA Number</u>	<u>Name of state project</u>
79.001	Florida Engineers Management Corporation

Dollar threshold used to distinguish between Type A and Type B programs:	\$589,394
Auditee qualified as low risk auditee?	Yes

Section II -- Financial Statement Findings

We noted no matters involving internal control over financial reporting and its operation that we considered to be material weaknesses, significant deficiencies and/or control deficiencies required to be reported in accordance with *Government Auditing Standards*.

Section III -- State Financial Assistance Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with *Rules of the Auditor General* of the State of Florida, Chapter 10.650.

See report of independent auditors.