

Financial Statements  
and Other Reports

**Friends of Florida State Forests, Inc.**

*Years ended June 30, 2020 and 2019  
with Report of Independent Auditors*



Friends of Florida State Forests, Inc.

Financial Statements  
and Other Reports

Years ended June 30, 2020 and 2019

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## Report of Independent Auditors

Board of Directors  
Friends of Florida State Forests, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Friends of Florida State Forests, Inc. (Friends) which comprise the statements of fund net position as of June 30, 2020 and 2019, the related statements of revenues, expenses, and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund net position of Friends of Florida State Forests, Inc., as of June 30, 2020 and 2019, and the changes in its fund net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020 on our consideration of Friends' 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 Friends' 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' internal control over financial reporting and compliance.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
October 5, 2020

Friends of Florida State Forests, Inc.

Statements of Fund Net Position

	June 30,	
	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,146,531	\$ 1,781,349
Short-term investments	2,900,401	2,824,214
Inventory	1,085	589
Prepaid expenses	717	1,003
Accounts receivable	-	95
Total current assets	<u>5,048,734</u>	<u>4,607,250</u>
 Total assets	 <u>\$ 5,048,734</u>	 <u>\$ 4,607,250</u>
<b>Liabilities and fund net position</b>		
Accounts payable and accrued expenses	\$ 3,128	\$ 21,347
Deferred member dues	2,000	1,862
Total liabilities	<u>5,128</u>	<u>23,209</u>
 Fund net position:		
Restricted:		
Expendable contributions	4,961,646	4,494,856
Nonexpendable contributions	7,000	7,000
Unrestricted	<u>74,960</u>	<u>82,185</u>
Total fund net position	<u>5,043,606</u>	<u>4,584,041</u>
Total liabilities and fund net position	<u>\$ 5,048,734</u>	<u>\$ 4,607,250</u>

*See accompanying notes.*

Friends of Florida State Forests, Inc.

Statements of Revenues, Expenses, and Changes in Fund Net Position

	<b>Years ended</b>	<b>June 30,</b>
	<b>2020</b>	<b>2019</b>
<b>Changes in fund net position:</b>		
Operating revenues and other support:		
Dues and fees	\$ 24,933	\$ 23,591
Administrative fees	41,205	27,581
Miscellaneous revenues	92	1,180
Program contributions and other revenues - restricted	<u>834,193</u>	<u>492,624</u>
Total operating revenues and other support	<u>900,423</u>	<u>544,976</u>
Operating expenses:		
Program expenses - restricted	447,028	286,283
Statewide programs	1,534	14,986
Annual day entrance pass	19,230	20,605
Professional fees	13,189	12,544
Advertising	9,716	6,650
Insurance	2,007	1,720
Bank fees	2,735	2,551
Website expenses	839	1,497
Other expenses	18,476	3,348
General and administrative	<u>2,591</u>	<u>-</u>
Total operating expenses	<u>517,345</u>	<u>350,184</u>
Operating income	383,078	194,792
Nonoperating revenues:		
Interest income - unrestricted	7,653	14,221
Interest income - restricted	79,626	82,580
Nonoperating (loss) gain	<u>(10,792)</u>	<u>8,855</u>
Total nonoperating revenues	<u>76,487</u>	<u>105,656</u>
Increase in fund net position	459,565	300,448
Fund net position at beginning of year	<u>4,584,041</u>	<u>4,283,593</u>
Fund net position at end of year	<u>\$ 5,043,606</u>	<u>\$ 4,584,041</u>

*See accompanying notes.*

Friends of Florida State Forests, Inc.

Statements of Cash Flows

	<b>Years ended June 30,</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Operating activities</b>		
Receipts from members and donors - unrestricted	\$ 66,463	\$ 52,471
Receipts from donors and other sources - restricted	834,193	492,624
Payments to suppliers and vendors	<u>(535,774)</u>	<u>(344,008)</u>
Net cash provided by operating activities	<u>364,882</u>	<u>201,087</u>
<b>Investing activities</b>		
Investment income	<u>300</u>	<u>91,442</u>
Net cash provided by investing activities	<u>300</u>	<u>91,442</u>
Net increase in cash and cash equivalents	365,182	292,529
Cash and cash equivalents at beginning of year	<u>1,781,349</u>	<u>1,488,820</u>
Cash and cash equivalents at end of year	<u>\$ 2,146,531</u>	<u>\$ 1,781,349</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 383,078	\$ 194,792
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	95	(95)
Increase in inventory	(496)	(65)
Decrease in prepaids	286	-
(Decrease) increase in accounts payable	(18,219)	6,241
Increase in deferred dues	<u>138</u>	<u>214</u>
Net cash provided by operating activities	<u>\$ 364,882</u>	<u>\$ 201,087</u>

*See accompanying notes.*

# Friends of Florida State Forests, Inc.

## Notes to Financial Statements

Years ended June 30, 2020 and 2019

### **1. Summary of Significant Accounting Policies**

#### **Reporting Entity**

Friends of Florida State Forests, Inc. (Friends) is a direct support organization as provided for in Section 570.903, Florida Statutes. Friends is considered a component unit of the Florida Department of Agriculture and Consumer Services (the Department). Friends was organized to provide a vehicle for funding and expanding opportunities for recreation, environmental education, fire prevention, and forest management programs within Florida's state forests. Friends works to keep Florida's state forests accessible to the public and to provide a deeper appreciation for the natural environment.

#### **Basis of Accounting**

Friends follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred. These financial statements are those of Friends alone and, accordingly, are not intended to present the financial position or the results of operations of the Department.

#### **Revenue Recognition**

Revenues are recognized as they are earned. On the majority of the contributions, Friends may retain up to 10% of the contributions received for general (unrestricted) purposes.

Friends reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. Contributions from participating members are voluntary and are generally recorded as unrestricted revenue when received.

#### *Operating revenues and expenses*

Operating revenues and expenses generally result from providing services in connection with ongoing operations and special projects. Operating revenues of Friends consist of member dues, unrestricted contributions, and program contributions that are restricted as to purpose. Operating expenses include general and administrative expenses and the costs associated with fulfilling special projects. Interest and dividends earned are categorized as nonoperating revenues.



# Friends of Florida State Forests, Inc.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### **Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of resources available to Friends, the accounts of Friends are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, for financial statement reporting purposes all funds are combined.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits with a financial institution and deposits in highly liquid money market funds. Friends' financial instruments exposed to concentrations of credit risk consist primarily of its cash and cash equivalents and its certificates of deposit. 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. Friends has not experienced any losses in such accounts.

#### **Investments**

Investments consist of one and two-year brokered certificates of deposit and are reported at fair value. Investments maturing during the subsequent fiscal year are considered to be short-term investments.

#### **Inventory**

Inventories consist of t-shirts, maps, and hats and are stated at lower of cost or market determined by the first-in, first-out method.

#### **Income Taxes**

Pursuant to a determination letter received from the Internal Revenue Service, Friends is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and as such, is liable for tax only on business income unrelated to the purpose for which it is exempt. As a direct support organization of the Department, Friends is not required to file a Federal Form 990.

# Friends of Florida State Forests, Inc.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### Subsequent Events

Friends has evaluated subsequent events through October 5, 2020, the date the financial statements were available to be issued. During the period from June 30, 2020 to October 5, 2020, Friends did not have any material recognizable subsequent events other than the matter described in Note 4.

#### Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

#### 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.

### 2. Investments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability.

Friends utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

#### *Fair Value on a Recurring Basis*

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis.

# Friends of Florida State Forests, Inc.

## Notes to Financial Statements

### 2. Investments (continued)

Investments consist of the following at June 30, 2020:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Market and Carrying Value</u>	<u>Level 2</u>
Brokered certificates of deposit	\$ <u>2,911,193</u>	\$ <u>(10,792)</u>	\$ <u>2,900,401</u>	\$ <u>2,900,401</u>

Investments consist of the following at June 30, 2019:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Market and Carrying Value</u>	<u>Level 2</u>
Brokered certificates of deposit	\$ <u>2,815,359</u>	\$ <u>8,855</u>	\$ <u>2,824,214</u>	\$ <u>2,824,214</u>

#### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of the failure of the custodial entity, Friends' deposits may not be returned to it. Custody of Friends' investments is currently maintained in Friends' name by Merrill Lynch.

#### *Interest Rate Risk*

Interest rate risk arises from investments in debt instruments and is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Friends is not directly subject to interest rate risk for its investment in brokered certificates of deposits, as Friends is able to sell their interest in these certificates of deposits at will.

#### *Credit Quality Risk*

Friends' policy is to invest in high quality instruments with the lowest level of risk. Brokered certificates of deposits are listed and valued as a whole. Information about specific ratings cannot be obtained due to the nature of the brokered certificates of deposit.

#### *Foreign Currency Risk*

Friends has no investments with foreign currency risk at June 30, 2020.

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of Friends' investment in a single issuer. Investments in brokered certificates of deposits are diversified through numerous banks and savings institutions through Merrill Lynch.

# Friends of Florida State Forests, Inc.

## Notes to Financial Statements

### 3. Fund Net Position

At June 30, 2020 and 2019, restricted expendable and non-expendable fund net position consist of amounts related to the following programs:

	<b>June 30,</b>	
	<u><b>2020</b></u>	<u><b>2019</b></u>
Peace River State Forest	\$ 1,867,613	\$ 1,850,193
DOT Gopher Tortoise Mitigation	600,000	600,000
Tiger Bay - Gopher Tortoise	39,999	27,222
Point Washington Mitigation	141,278	139,187
Cedar Hammock Mitigation	12,918	12,716
Belmore - Satsuma	33,826	33,826
OOF Gator Egg Revenue	175,103	169,192
Hernando - Good Neighbor Tortoise Move	20,000	20,000
San Marino	172,669	170,964
OOF - Goethe Sportsman Tract	20,000	20,000
Blackwater FL Gas Easement	41,875	41,875
Suncoast II	270,366	266,403
Babcock Ranch Myakka	26,780	26,780
Belle Meade Caloosahatchee	60,119	59,212
Calusa Pines Caloosahatchee	160,140	160,140
Teacher's Tour	70,741	41,474
Ralph Simmons	27,866	27,866
Baird Tract	348,260	340,754
Wekiva Parkway	285,174	279,502
OOF Statewide	20,336	30,638
OOF - HAT	25,995	-
OOF - Rotary Club	37,676	-
The Preserve	68,624	-
Lake Talquin - General	54,066	-
Seacoast Pipeline - Estonia	194,532	-
Other purposes, less than \$20,000 each	<u>192,690</u>	<u>183,912</u>
	<u><b>\$ 4,968,646</b></u>	<u><b>\$ 4,501,856</b></u>

### 4. Other Matters

In late 2019, a novel strain of coronavirus was reported in Wuhan, Hubei, China. The World Health Organization determined the resulting outbreak of COVID-19, the disease caused by this novel coronavirus, to be a pandemic. The pandemic is disrupting supply chains worldwide as national and local governments implement measures intended to slow the spread of COVID-19, with production and sales across a range of industries impacted in different ways. The extent of the impact of COVID-19 on Friends' operations and its financial performance will depend on certain developments outside of Friends' control, including the duration and spread of the outbreak; its impact on its members and donors; and broader economic conditions, all of which are uncertain and cannot be predicted at this time.

## Other Reports

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  
Friends of Florida State Forests, Inc.

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 Florida State Forests, Inc. (Friends), which comprise the statement of fund net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in fund net position and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Friends' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friends' internal control. Accordingly, we do not express an opinion on the effectiveness of Friends' 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 Friends' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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  
October 5, 2020