

Financial Statements
and Other Reports

Friends of Florida State Forests, Inc.

*Years ended June 30, 2022 and 2021
with Report of Independent Auditors*



Friends of Florida State Forests, Inc.

Financial Statements
and Other Reports

Years ended June 30, 2022 and 2021

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Report of Independent Auditors

Board of Directors
Friends of Florida State Forests, Inc.

Opinion

We have audited the financial statements of Friends of Florida State Forests, Inc. (Friends) which comprise the statements of fund net position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fund net position of Friends, as of June 30, 2022 and 2021, 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.

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 Friends' 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.

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 Friends' 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 consolidated 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 consolidated 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 Friends' internal control. Accordingly, no such opinion is expressed.
- 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 Friends' 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.

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Other Information

Management has omitted 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.

In connection with our audits 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 September 7, 2022 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
September 7, 2022

Friends of Florida State Forests, Inc.

Statements of Fund Net Position

	June 30,	
	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,227,272	\$ 2,752,945
Short-term investments	2,887,563	2,291,078
Inventory	223	541
Prepaid expenses	497	499
Total current assets	<u>5,115,555</u>	<u>5,045,063</u>
 Total assets	 <u>\$ 5,115,555</u>	 <u>\$ 5,045,063</u>
Liabilities and fund net position		
Accounts payable and accrued expenses	\$ 1,446	\$ 2,168
Unearned member dues	1,060	2,133
Total liabilities	<u>2,506</u>	<u>4,301</u>
 Fund net position		
Restricted:		
Expendable contributions	5,095,266	4,995,009
Nonexpendable contributions	7,000	7,000
Unrestricted	10,783	38,753
Total fund net position	<u>5,113,049</u>	<u>5,040,762</u>
 Total liabilities and fund net position	 <u>\$ 5,115,555</u>	 <u>\$ 5,045,063</u>

See accompanying notes.

Friends of Florida State Forests, Inc.

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

	<u>Years ended</u> <u>2022</u>	<u>June 30,</u> <u>2021</u>
Changes in fund net position:		
Operating revenues and other support:		
Dues and fees	\$ 4,143	\$ 14,896
Administrative fees	13,917	12,668
Miscellaneous revenues	180	296
Program contributions and other revenues - restricted	<u>554,992</u>	<u>472,967</u>
Total operating revenues and other support	<u>573,232</u>	<u>500,827</u>
Operating expenses:		
Program expenses - restricted	459,142	449,644
Statewide programs	-	1,609
Annual day entrance pass	135	21,885
Professional fees	11,260	17,145
Advertising	12,926	10,631
Insurance	2,041	2,264
Bank fees	1,831	1,444
Website expenses	4,734	1,720
Other expenses	1,288	983
General and administrative	-	584
Total operating expenses	<u>493,357</u>	<u>507,909</u>
Operating income (loss)	79,875	(7,082)
Nonoperating (expenses) revenues:		
Interest income - unrestricted	522	1,598
Interest income - restricted	4,407	10,039
Unrealized losses on investments	<u>(12,517)</u>	<u>(7,399)</u>
Total nonoperating (expenses) revenues	<u>(7,588)</u>	<u>4,238</u>
Increase (decrease) in fund net position	72,287	(2,844)
Fund net position at beginning of year	<u>5,040,762</u>	<u>5,043,606</u>
Fund net position at end of year	<u>\$ 5,113,049</u>	<u>\$ 5,040,762</u>

See accompanying notes.

Friends of Florida State Forests, Inc.

Statements of Cash Flows

	Years ended June 30,	
	<u>2022</u>	<u>2021</u>
Operating activities		
Receipts from members and donors - unrestricted	\$ 17,167	\$ 27,993
Receipts from donors and other sources - restricted	554,992	472,967
Payments to suppliers and vendors	<u>(493,759)</u>	<u>(508,107)</u>
Net cash provided by (used in) operating activities	<u>78,400</u>	<u>(7,147)</u>
Investing activities		
Investment maturities and sales	<u>(604,073)</u>	<u>613,561</u>
Net cash (used in) provided by investing activities	<u>(604,073)</u>	<u>613,561</u>
Net (decrease) increase in cash and cash equivalents	(525,673)	606,414
Cash and cash equivalents at beginning of year	<u>2,752,945</u>	<u>2,146,531</u>
Cash and cash equivalents at end of year	<u>\$ 2,227,272</u>	<u>\$ 2,752,945</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 79,875	\$ (7,082)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Decrease in inventory	318	544
Decrease in prepaids	2	218
Decrease in accounts payable	(722)	(960)
(Decrease) increase in unearned member dues	<u>(1,073)</u>	<u>133</u>
Net cash provided by (used in) operating activities	<u>\$ 78,400</u>	<u>\$ (7,147)</u>

See accompanying notes.

Friends of Florida State Forests, Inc.

Notes to Financial Statements

Years ended June 30, 2022 and 2021

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 September 7, 2022, the date the financial statements were available to be issued. During the period from June 30, 2022 to September 7, 2022, Friends did not have any material recognizable subsequent events.

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, 2022:

	<u>Cost</u>	<u>Unrealized Losses</u>	<u>Market and Carrying Value</u>	<u>Level 2</u>
Brokered certificates of deposit	\$ <u>2,900,080</u>	\$ <u>(12,517)</u>	\$ <u>2,887,563</u>	\$ <u>2,887,563</u>

Investments consist of the following at June 30, 2021:

	<u>Cost</u>	<u>Unrealized Losses</u>	<u>Market and Carrying Value</u>	<u>Level 2</u>
Brokered certificates of deposit	\$ <u>2,298,477</u>	\$ <u>(7,399)</u>	\$ <u>2,291,078</u>	\$ <u>2,291,078</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, 2022.

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, 2022 and 2021, restricted expendable and non-expendable fund net position consist of amounts related to the following programs:

	June 30,	
	<u>2022</u>	<u>2021</u>
Blackwater FL Gas Easement	\$ 41,875	\$ 41,875
The Preserve	68,637	68,670
Point Washington Mitigation	141,628	141,669
Point Washington - General	21,635	10,875
NFRC Gulf Power Easement	55,730	55,730
Lake Talquin - General	54,148	54,078
Ralph Simmons	28,287	28,743
Seacoast Pipeline - Etoniah	47,040	46,894
Tiger Bay - Gopher Tortoise	40,744	40,486
Baird Tract	349,473	348,695
Suncoast II	257,591	262,740
TNC - Scrub Jay Grant	41,678	-
Wekevia Parkway	261,690	268,895
Lake Wales Ridge - General	33,822	45,530
Babcock Ranch	26,820	26,780
Peace River State Forest	1,874,491	1,873,518
Belle Meade	60,156	60,156
Calusa Pines	160,280	160,280
San Marino	177,872	176,038
OOF - Rotary Club	86,684	80,083
OOF - Gator Egg Revenue	128,743	150,343
OOF - Goethe Sportsman Tract	20,000	20,000
OOF - Washington Crossing House	138,711	-
DOT Gopher Tortoise Mitigation	600,000	600,000
Other purposes, less than \$20,000 each	384,531	439,931
	<u>\$ 5,102,266</u>	<u>\$ 5,002,009</u>

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, 2022, 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 September 7, 2022.

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) 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 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 and therefore, material weaknesses or significant deficiencies 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 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 Friends' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friends' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
September 7, 2022