

The Dan Marino Foundation, Inc.

Financial Statements
For the Year Ended June 30, 2020

The Dan Marino Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Dan Marino Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Dan Marino Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

CPA's + Trusted Advisors

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance, as required by the Florida Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, on our consideration of the Foundation'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 Foundation'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 the Foundation's internal control over financial reporting and compliance.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 16, 2020

FINANCIAL STATEMENTS

The Dan Marino Foundation, Inc.
Statement of Financial Position
June 30, 2020

Assets:

| | | |
|-----------------------------------|----|------------------|
| Cash and cash equivalents | \$ | 2,766,987 |
| Tuition receivable | | 255,074 |
| Grants receivable | | 526,780 |
| Prepaid expenses and other assets | | 57,275 |
| Investments | | 6,498,736 |
| Property and equipment, net | | <u>3,756,539</u> |

Total assets \$ 13,861,391

Liabilities:

| | | |
|--|----|------------------|
| Accounts payable | \$ | 78,608 |
| Accrued expenses | | 106,879 |
| Deferred revenue and refundable advances | | 90,361 |
| Paycheck Protection Program loan | | 450,300 |
| Mortgage note payable | | <u>1,570,132</u> |

Total liabilities 2,296,280

Net Assets:

| | | |
|-----------------------------|--|------------------|
| Without donor restrictions: | | |
| Undesignated | | 8,489,673 |
| Board designated | | <u>1,075,438</u> |

Total without donor restrictions 9,565,111

| | | |
|--------------------------|--|------------------|
| With donor restrictions: | | |
| Perpetual in nature | | <u>2,000,000</u> |

Total with donor restrictions 2,000,000

Total net assets 11,565,111

Total liabilities and net assets \$ 13,861,391

The accompanying notes to the financial statements are an integral part of these statements.

The Dan Marino Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Public Support and Revenues: | | | |
| Grant and contract revenue, governmental and private | \$ 1,999,308 | \$ - | \$ 1,999,308 |
| Contributions | 317,297 | - | 317,297 |
| Special events (net of direct expenses of \$ 153,307) | 377,607 | - | 377,607 |
| Investment income, net | 116,743 | - | 116,743 |
| Tuition revenue (net of tuition credits of \$ 728) | 1,257,089 | - | 1,257,089 |
| Other income | 32,568 | - | 32,568 |
| | <u>4,100,612</u> | <u>-</u> | <u>4,100,612</u> |
| Total public support and revenues | | | |
| Net assets released from restrictions | <u>53,166</u> | <u>(53,166)</u> | <u>-</u> |
| | | | |
| Total public support, revenues, and net assets released from restrictions | <u>4,153,778</u> | <u>(53,166)</u> | <u>4,100,612</u> |
| Expenses: | | | |
| Program services | 3,362,755 | - | 3,362,755 |
| Support services: | | | |
| Management and general | 166,389 | - | 166,389 |
| Fundraising | 335,826 | - | 335,826 |
| | <u>3,864,970</u> | <u>-</u> | <u>3,864,970</u> |
| Total expenses | | | |
| Change in net assets | <u>288,808</u> | <u>(53,166)</u> | <u>235,642</u> |
| | | | |
| Net Assets, July 1, 2019 | <u>9,276,303</u> | <u>2,053,166</u> | <u>11,329,469</u> |
| | | | |
| Net Assets, June 30, 2020 | <u>\$ 9,565,111</u> | <u>\$ 2,000,000</u> | <u>\$ 11,565,111</u> |

The accompanying notes to the financial statements are an integral part of these statements.

The Dan Marino Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

| | Program Services | | | Supporting Services | | | Total Expenses |
|------------------------------|---------------------|----------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
| | Marino Campus | Virtual Reality ViTA | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Payroll, benefits, and taxes | \$ 1,756,256 | \$ 278,276 | \$ 2,034,532 | \$ 91,377 | \$ 217,397 | \$ 308,774 | \$ 2,343,306 |
| Professional services | 224,044 | 409,715 | 633,759 | 16,900 | 51,630 | 68,530 | 702,289 |
| Occupancy and interest | 311,768 | 5,393 | 317,161 | 43,140 | 5,393 | 48,533 | 365,694 |
| Provision for depreciation | 72,118 | 24,039 | 96,157 | 12,019 | 12,020 | 24,039 | 120,196 |
| Academic services | 81,059 | 14,682 | 95,741 | - | - | - | 95,741 |
| Business expenses | 74,558 | 6,848 | 81,406 | 1,224 | 6,125 | 7,349 | 88,755 |
| Office | 56,404 | 7,454 | 63,858 | 748 | 4,427 | 5,175 | 69,033 |
| Other personnel | 23,921 | 5,552 | 29,473 | 897 | 4,800 | 5,697 | 35,170 |
| Donation distributions | - | - | - | - | 29,651 | 29,651 | 29,651 |
| Travel and meetings | 8,627 | 2,041 | 10,668 | 84 | 4,383 | 4,467 | 15,135 |
| Total | \$ 2,608,755 | \$ 754,000 | \$ 3,362,755 | \$ 166,389 | \$ 335,826 | \$ 502,215 | \$ 3,864,970 |

The accompanying notes to the financial statements are an integral part of these statements.

The Dan Marino Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2020

| | |
|---|---------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ 235,642 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | |
| Provision for depreciation | 120,196 |
| Net realized/unrealized (gain) loss on investments | 23,666 |
| (Increase) decrease in assets: | |
| Tuition receivable | (492,135) |
| Grants receivable | 300,000 |
| Prepaid expenses and other assets | (1,661) |
| Increase (decrease) in liabilities: | |
| Accounts payable | 55,062 |
| Accrued expenses | (78,221) |
| Deferred revenue and refundable advances | 55,378 |
| | <u>217,927</u> |
| Net cash provided by (used in) operating activities | <u>217,927</u> |
| Cash Flows from Investing Activities: | |
| Proceeds from sales and maturities of investments | 1,237,999 |
| Purchases of property and equipment | (18,756) |
| Purchases of investments | (1,294,707) |
| | <u>(75,464)</u> |
| Net cash provided by (used in) investing activities | <u>(75,464)</u> |
| Cash Flows from Financing Activities: | |
| Proceeds from note payable | 450,300 |
| Principal payments on mortgage note payable | (46,751) |
| | <u>403,549</u> |
| Net cash provided by (used in) financing activities | <u>403,549</u> |
| Net increase (decrease) in cash and cash equivalents | 546,012 |
| Cash and Cash Equivalents, July 1, 2019 | <u>2,220,975</u> |
| Cash and Cash Equivalents, June 30, 2020 | <u>\$ 2,766,987</u> |
| Supplemental Disclosure of Cash Flows Information: | |
| Cash paid during the year for interest on the mortgage | <u>\$ 60,828</u> |

The accompanying notes to the financial statements are an integral part of these statements.

Note 1 - Principal Activity and Significant Account Policies

The Dan Marino Foundation, Inc. is a not-for-profit organization founded in 1992, whose mission is empowering individuals with autism and other developmental disabilities.

The Marino Campus founded in 2013 is a first of its kind - postsecondary institution that builds on the strengths of people with disabilities to help prepare them for good jobs and greater independence. True to the spirit of a progressive concept called "neurodiversity," Marino Campus is an inclusive and supportive learning environment, embracing unique minds and differences. There are two Marino Campus locations, one in downtown Fort Lauderdale and one in Miami-Dade at Florida International University, Modesto A. Maidique Campus. Marino Campus features nationally recognized certification programs in Hospitality and Technology.

ViTA DMF, LLC ("ViTA DMF") was organized in the State of Florida in December 2014. ViTA DMF was created to develop software and curriculum that addresses the interview process, one of the biggest challenges to employment for individuals with developmental disabilities. The ViTA DMF creative team includes experts, representing multiple disciplines, including special education, disability transition services, engineering, virtual reality, cognitive science, game development, and software design.

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) 2016-14 Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASU 2016-14, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - consist of net assets for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions - represent net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor (or certain grantor) imposed restrictions are released when a restriction expires, that is, when the stipulated period of time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents: The Foundation considers all accounts maintained at financial institutions with a maturity of three months or less to be cash and cash equivalents. The Foundation also maintains money market funds and equivalents with its investment custodian and reports these balances as a component of its investment holdings.

Revenues and revenue recognition: The Foundation recognizes grants and contributions when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived.

Note 1 - Principal Activity and Significant Account Policies (continued)

A portion of the Foundation's revenue is derived from cost-reimbursable state and other contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Foundation received a cost-reimbursable grant of \$ 90,000 that has not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$ 90,000 recognized in the statement of financial position as a refundable advance.

Tuition and fees for services: Tuition revenue is deferred until the services have been provided to the students, at which time, the tuition revenue is recognized.

The Foundation is a vendor for Vocational Rehabilitation, a component of the Florida Department of Education (the "State"). As a vendor, the State submits referrals to the Foundation for services. Upon the Foundation's completion of prescribed benchmarks, the State issues payment to the Foundation.

Receivables and allowance for doubtful accounts: Receivables consist primarily of tuition and grants earned and not yet received. Management provides for probable uncollectible amounts based on its assessment of recent collection history and current student relationships. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Foundation did not record an allowance for the year ended June 30, 2020. In addition, all grants and tuition receivable balances are due within the next year.

Donated services, property, and equipment: Contributed services are reported as contributions at their estimated fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. The Foundation did not receive any such contributed services during the year ended June 30, 2020.

Donated property and equipment is reported, at estimated fair value, as an increase in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as an increase in net assets with donor restrictions. Without donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of the donor restrictions when the donated assets are placed in service, reclassifying net assets with donor restrictions to net assets without donor restrictions at that time. The Foundation recorded no such assets during the year ended June 30, 2020.

Concentration of credit risk and market risk: Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash deposits in excess of the Federal Deposit Insurance Corporation (the "FDIC") insured limits. The Foundation limits its exposure by placing its deposits with quality financial institutions. At times, such balances may be in excess of the insurance limits of the FDIC. The Foundation has not experienced losses in such accounts.

Note 1 - Principal Activity and Significant Account Policies (continued)

Management considers credit risk associated with the Foundation's tuition receivable to be low due to the nature of services provided. In addition, student accounts are primarily paid for by granting agencies who cover the cost of tuition of the student. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Foundation has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks. In addition, investments are held in brokerage accounts protected by the Securities Investor Protection Corporation ("SIPC") in the event of broker-dealer failure, up to \$ 500,000 of protection for each brokerage account. The SIPC insurance does not protect against market losses in investments.

Property and equipment: Property and equipment are stated at cost or, if donated to the Foundation, at estimated fair value at the date of donation. In accordance with the Foundation's policy, capitalization of assets is done only when the cost of an item exceeds \$ 1,000. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets which is as follows:

| | |
|---------------------------|------------|
| Building and improvements | 7-39 years |
| Furniture and equipment | 3-7 years |
| Vehicles | 3 years |

Investments: The Foundation reports its investments in equity securities with readily determinable fair values and all investments in debt securities at estimated fair value in the Statement of Financial Position. Money market funds are valued at amortized cost, which approximates fair value. Investment gains (losses) (including realized and unrealized gains and losses, interest, and dividends) are included in the Statement of Activities under the caption "Investment income, net."

Income taxes: The Foundation is organized as a not-for-profit corporation and has been recognized by the IRS as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), with the exception of any unrelated business income. ViTA DMF is a Florida limited liability company wholly owned by the Foundation. This limited liability company is treated as a disregarded entity for federal income tax purposes and exists to further enhance the Foundation's 501(c)(3) not-for-profit status. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Foundation's financial statements. Accordingly, no provision for income taxes has been made to these financial statements.

Allocation of functional expenses: The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort, and other methods as determined by management.

Refundable advances and deferred revenue: Revenues received in advance that are not recognized because the allowable costs as defined by the individual grant or contract have not been incurred, the unit of service has not been provided, and/or the conditions of release have not been substantially met or explicitly waived are considered refundable advances. In addition, revenues received in advance from special events and other program income that are considered exchange transactions are deferred to the applicable period.

Note 1 - Principal Activity and Significant Account Policies (continued)

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Date of management review: Subsequent events were evaluated by management through October 16, 2020, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|--|----------------------|
| Financial Assets: | |
| Cash and cash equivalents | \$ 2,766,987 |
| Tuition receivable | 255,074 |
| Grants receivable | 526,780 |
| Investments | <u>6,498,736</u> |
| Financial assets, at year-end | <u>\$ 10,047,577</u> |
| Less those unavailable for general expenditures within one year, due to: | |
| Contractual or donor-imposed restrictions: | |
| Perpetual restrictions by donor | \$ (2,000,000) |
| Board designated: Sustaining Fund | (1,075,438) |
| Refundable advance | (90,000) |
| Paycheck protection program loan | <u>(450,300)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 6,431,839</u> |

Note 3 - Investments

Investments are presented in the financial statements at their estimated fair market values and consist of the following at June 30, 2020:

| | |
|-------------------------------|---------------------|
| Corporate bonds | \$ 3,314,489 |
| Equities | 2,209,466 |
| Money markets and equivalents | <u>974,781</u> |
| Total | <u>\$ 6,498,736</u> |

Note 3 - Investments (continued)

Investment income, net, for investments held and sold during the year ended June 30, 2020 is comprised of:

| | |
|---|-------------------|
| Interest and dividends | \$ 177,831 |
| Net realized and unrealized investment gains (losses) | (23,666) |
| Advisory fees | <u>(37,422)</u> |
| Total | <u>\$ 116,743</u> |

Note 4 - Fair Value Measurements

In accordance with the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 820, *Fair Value Measurement and Disclosures*, the Foundation follows a defined and established framework for measuring fair value and expanded disclosures about fair value measurements. Various inputs are used in determining the value of the Foundation's investments. These inputs are summarized in three levels listed below:

- Level 1 - inputs are quoted market prices (unadjusted) in active markets for identical investments that the reporting entity can access at the measurement date.
- Level 2 - inputs are other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly. (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 - inputs are significant unobservable inputs. (e.g. information about assumptions, including risk, market participants would use in pricing a security).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of investments by type at June 30, 2020 was as follows:

| Description | Fair Value Measurements at Reporting Date Using: | | | |
|-------------------------------|--|---------------------|---------------------|-------------|
| | Fair Value June 30, 2020 | Level 1 | Level 2 | Level 3 |
| Corporate bonds | \$ 3,314,489 | \$ - | \$ 3,314,489 | \$ - |
| Equities | 2,209,466 | 2,209,466 | - | - |
| Money markets and equivalents | <u>974,781</u> | <u>974,781</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 6,498,736</u> | <u>\$ 3,184,247</u> | <u>\$ 3,314,489</u> | <u>\$ -</u> |

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30, 2020:

| | |
|-------------------------------|----------------------------|
| Building and improvements | \$ 3,508,354 |
| Furniture and equipment | 543,587 |
| Vehicles | 6,000 |
| | <u>4,057,941</u> |
| Less accumulated depreciation | 1,229,506 |
| | <u>2,828,435</u> |
| Land | 928,104 |
| | <u><u>\$ 3,756,539</u></u> |

Depreciation expense was approximately \$ 120,000 for the year ended June 30, 2020.

Note 6 - Paycheck Protection Program

During April 2020, the Foundation executed a promissory note for \$ 450,300 under the Paycheck Protection Program (“PPP”) authorized by the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The loan bears interest at a rate of 1.00% per annum. Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and the Foundation maintains certain employment levels during a specified period of time. If the Small Business Administration (“SBA”) confirms full forgiveness of the unpaid balance of the note, the Foundation’s obligation under this arrangement will be deemed fully satisfied. The Foundation remains obligated to repay to the lender any amount not forgiven, which will mature on the 2nd anniversary of the note. Principal and interest payments are deferred until the lender receives a forgiveness determination from SBA. If the Foundation does not apply for forgiveness within 10 months after the last day of their covered period, as applicable, it would be required to make payments on the PPP loan beginning 10 months after the last day of such covered period. At such time, the bank will establish the amount of monthly payments due (principal and interest) based on the remaining time up until its maturity. As of June 30, 2020, the outstanding principal amount of the loan was \$ 450,300.

Note 7 - Mortgage Note Payable

The Foundation has a mortgage note payable to a bank which bears interest at a current fixed rate of 3.75% per annum. Effective October 2021, the interest rate will adjust by adding .25% to the then Prime rate. The loan is collateralized by a first mortgage on the real property and an assignment of all rents. Principal and interest payments of approximately \$ 9,000 are due monthly; and a balloon payment of approximately \$ 1,227,000, plus accrued interest, is due at maturity, October 2026. The total amount outstanding as of June 30, 2020 was \$ 1,570,132.

Note 7 - Mortgage Note Payable (continued)

The aggregate annual maturities on the mortgage note payable are approximately as follows:

| Year Ending June 30, | | |
|-------------------------|----|-------------------------|
| 2021 | \$ | 50,000 |
| 2022 | | 52,000 |
| 2023 | | 54,000 |
| 2024 | | 56,000 |
| 2025 | | 58,000 |
| Thereafter | | <u>1,300,000</u> |
| | \$ | <u><u>1,570,000</u></u> |

Interest expense totaled approximately \$ 61,000 for the year ended June 30, 2020.

Note 8 - Net Assets Without Donor Restrictions - Board Designated

The Foundation has designated net assets without donor restrictions to be set-aside for the following purposes as of June 30, 2020:

| | | |
|---------------------------|----|-------------------------|
| Sustaining fund (Endowed) | \$ | <u><u>1,075,438</u></u> |
|---------------------------|----|-------------------------|

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 consist of an endowment fund established in 2005 to support the programs of the Marino Autism Research Institute ("MARI") (Note 10). Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and net investment earnings from the fund is to support the MARI programs.

Net assets with donor restrictions are restricted for the following purposes:

| | | |
|---|----|-------------------------|
| Endowments: | | |
| Required to be held in perpetuity by donor for specified purpose: | | |
| MARI Endowment | \$ | <u><u>2,000,000</u></u> |

Net assets were released from donor restrictions as follows:

| | | |
|---------------------------------------|----|----------------------|
| Satisfaction of purpose restrictions: | | |
| Team Marino/Together We Win | | |
| Autism Event | \$ | <u><u>53,166</u></u> |

Note 10 - Endowments

The Foundation's endowment consists of an individual fund established to support the MARI programs. Its endowment is comprised of a donor-restricted endowment fund and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The expected total return from income and the appreciation of investments.
5. Other resources of the Foundation.
6. The investment policies of the Foundation.

Interpretation of relevant law: Previously, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Foundation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA.

Objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places emphasis on investments in equities and corporate bonds to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy that is dictated by the specific needs of the purpose(s) or program(s) designated by the donor, grantor, or Board of Directors.

Note 10 - Endowments (continued)

Funds with deficiencies: From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Management has interpreted FUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies as of June 30, 2020.

For the year ended June 30, 2020, the Foundation has elected not to add appreciation for cost of living or other spending policies to its donor restricted endowment for inflation and other economic conditions.

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Endowment net assets, beginning | \$ 1,047,279 | \$ 2,000,000 | \$ 3,047,279 |
| Investment income, net | - | 112,469 | 112,469 |
| Appropriation of endowment assets for expenditures (distributions), net | <u>28,159</u> | <u>(112,469)</u> | <u>(84,310)</u> |
| Endowment net assets, ending | <u>\$ 1,075,438</u> | <u>\$ 2,000,000</u> | <u>\$ 3,075,438</u> |

Endowment net asset composition by type of fund as of June 30, 2020:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Board-designated endowment funds | \$ 1,075,438 | \$ - | \$ 1,075,438 |
| Donor-restricted endowment funds: Original donor-restricted gift amount required to be maintained in perpetuity by donor | <u>-</u> | <u>2,000,000</u> | <u>2,000,000</u> |
| Total endowment funds | <u>\$ 1,075,438</u> | <u>\$ 2,000,000</u> | <u>\$ 3,075,438</u> |

Endowment assets at June 30, 2020 are invested as follows:

| | |
|-------------------------------|---------------------|
| Corporate bonds | \$ 2,333,143 |
| Money markets and equivalents | <u>742,295</u> |
| Total | <u>\$ 3,075,438</u> |

Note 11 - Retirement Plan

The Foundation offers a safe harbor 401(k) retirement plan covering eligible employees. Employee contributions are based upon the amount of compensation each participant elects to defer yearly, which may be “before tax” or “after tax - Roth 401(k).” Generally, such deferral amount may not exceed the lesser of 100% of total compensation or \$ 19,500 (\$ 26,000 if over age 50) for each participant. The Foundation provides a 3% safe harbor nonelective contribution to eligible employees. In addition, the Foundation may also, at its option, make a profit sharing contribution to the Plan. The total 401(k) plan expense to the Foundation, for the year ended June 30, 2020, amounted to approximately \$ 43,000.

Note 12 - Related Party Transactions

A Board Member for the Foundation is also employed by the investment firm that provides advisory services to the Foundation. Advisory fees, for the year ended June 30, 2020, amounted to approximately \$ 37,000.

Note 13 - Commitments and Contingencies

Grants and contracts: The Foundation receives financial assistance from federal, state, and local agencies in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specific in the grant/contract agreements and may be subject to audit by the grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In the opinion of management, all grant expenditures are in compliance with the terms of the agreements and applicable federal, state, and local laws and regulations.

Lease Commitment: In February 2016, the Foundation entered into a sixty (60) month lease agreement with Florida International University for office space. At June 30, 2020, the lease agreement provides for payments of approximately \$ 15,100 per month through February 2021. Rent expense in connection with this lease, and other arrangements, for the year ended June 30, 2020 amounted to approximately \$ 136,000. The Foundation is presently committed to approximate lease payments under the terms of this agreement as follows:

| Year Ending June 30, | | |
|-------------------------|----|-----------------------|
| 2021 | \$ | 121,000 |
| Thereafter | | <u>NONE</u> |
| | \$ | <u><u>121,000</u></u> |

Note 14 - Risks and Uncertainties

In March 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown precisely how the future outlook of the pandemic could impact the Foundation’s financial statements in the future.

SUPPLEMENTAL INFORMATION

The Dan Marino Foundation, Inc.
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2020

| <u>State Agency/Pass-through Entity State Project</u> | <u>CSFA Number</u> | <u>Contract/ Agreement Number</u> | <u>Expenditures</u> | <u>Transfers to Subrecipients</u> |
|---|------------------------|---|---------------------|---------------------------------------|
| State Financial Assistance: | | | | |
| Direct Project: | | | | |
| Florida Department of Education - | | | | |
| Adults with Disabilities: | | | | |
| (ITEM) Inclusive Transition and Employment | | | | |
| Management | 48.121 | 92E-90560-0Q001 | \$ 1,426,780 | \$ - |
| Marino Virtual Campus | 48.166 | 95U-90560-0Q001 | <u>500,000</u> | <u>-</u> |
| | | | 1,926,780 | - |
| Department of Juvenile Justice - | | | | |
| Delinquency Prevention | 80.029 | 10597 | <u>3,150</u> | <u>-</u> |
| Total expenditures of state financial assistance | | | <u>\$ 1,929,930</u> | <u>\$ -</u> |

The accompanying notes to the supplemental information are an integral part of this schedule.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the grant activity of the Foundation and is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the financial statements. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Chapter 10.650, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement, as applicable.

Note 3 - Contingency

The grants and contracts revenue received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor/contracting agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Foundation. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal, state, and local laws and regulations.

Note 4 - Interest

No funds, including interest earned on such funds, are due back to the state government.

INTERNAL CONTROLS AND COMPLIANCE

**Keefe
McCullough**
CPA's + Trusted Advisors

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Dan Marino Foundation, 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 The Dan Marino Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 16, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

To the Board of Directors
The Dan Marino Foundation, Inc.

Report on Compliance for the Major State Project

We have audited The Dan Marino Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major state project for the year ended June 30, 2020. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on the Major State Project

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2020.

CPA's + Trusted Advisors

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 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 the 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 16, 2020

The Dan Marino Foundation, Inc.
Schedule of Findings and Questioned Costs
June 30, 2020

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of The Dan Marino Foundation, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of The Dan Marino Foundation, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.650, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major state project for The Dan Marino Foundation, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major state project for The Dan Marino Foundation, Inc. reported in Part C of this schedule.
7. The project tested as a major project is as follows:

| <u>State Project:</u> | <u>State CSFA No.</u> |
|--|-----------------------|
| Florida Department of Education - Adults with Disabilities: (ITEM) Inclusive Transition and Employment Management | 48.121 |

8. The threshold for distinguishing Types A and B projects was \$ 578,979.

B. Findings - Financial Statements Audit

No matters were reported.

C. Findings and Questioned Costs - Major State Financial Assistance Project Audit

No matters were reported.

D. Other Issues

1. A separate management letter was not issued because there were no findings required to be reported in the management letter.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.
3. No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.