

**Friends of the Museums
of Florida History, Inc.**

FINANCIAL STATEMENTS


June 30, 2017



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Friends of the Museums of Florida History, Inc.
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REPORT





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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Friends of the Museums of Florida History, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Friends of the Museums of Florida History, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of the Museums of Florida History, Inc. as of June 30, 2017, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support and revenue and schedule of expenses on pages 13-15 are presented for purposes of additional analysis and are 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Tallahassee, FL

January 19, 2018



FINANCIAL STATEMENTS

Friends of the Museums of Florida History, Inc.
Statement of Financial Position

<i>June 30,</i>	2017
Assets	
Current assets	
Cash and cash equivalents	
Unrestricted cash	\$ 341,137
Restricted cash	33,934
Total cash and cash equivalents	375,071
Inventory	50,424
Accounts receivable	11,023
Total current assets	436,518
Restricted investments	945,217
Property and equipment - net	6,202
Total assets	\$ 1,387,937
 Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 9,318
Accrued expenses	849
Total current liabilities	10,167
 Net assets	
Net assets - unrestricted	
Undesignated	278,008
Designated	109,783
Total net assets - unrestricted	387,791
Net assets - temporarily restricted	389,979
Net assets - permanently restricted	600,000
Total net assets	1,377,770
Total liabilities and net assets	\$ 1,387,937

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

Friends of the Museums of Florida History, Inc.
Statement of Activities

<i>Year ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenue				
Gift shop sales	\$ 190,259	\$ -	\$ -	\$ 190,259
Less cost of goods sold	79,239	-	-	79,239
Gross profit	111,020	-	-	111,020
Grant revenue	-	9,892	240,000	249,892
In-kind contributions	147,789	-	-	147,789
Investment income, net of expenses	-	29,055	-	29,055
Contributions and memberships	27,058	-	-	27,058
Education programs	30,953	-	-	30,953
Facility use and rental income	15,997	-	-	15,997
Exhibit revenue	10,644	-	-	10,644
Other income	360	-	-	360
Net assets released from restrictions	19,439	(19,439)	-	-
Total support and revenue	363,260	19,508	240,000	622,768
Expenses				
Program services	318,084	-	-	318,084
General and administrative	29,775	-	-	29,775
Total expenses	347,859	-	-	347,859
Change in net assets prior to transfers	15,401	19,508	240,000	274,909
Transfers	-	20,000	(20,000)	-
Change in net assets after transfers	15,401	39,508	220,000	274,909
Net assets, beginning of year	372,390	350,471	380,000	1,102,861
Net assets, end of year	\$ 387,791	\$ 389,979	\$ 600,000	\$ 1,377,770

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

Friends of the Museums of Florida History, Inc.
Statement of Cash Flows

<i>Year ended June 30,</i>	2017
Operating activities	
Change in net assets	\$ 274,909
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,307
Realized and unrealized gain on investments	(16,113)
(Increase) decrease in:	
Inventory	12,292
Accounts receivable	(2,350)
Increase (decrease) in:	
Accounts payable	4,114
Accrued expenses	79
Net cash provided by operating activities	274,238
Investing activities	
Payments for the purchase of investments	(632,942)
Net cash used in investing activities	(632,942)
Net change in cash	(358,704)
Cash, beginning of year	733,775
Cash, end of year	\$ 375,071

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



Friends of the Museums of Florida History, Inc.
Notes to Financial Statements

NOTE 1 – NATURE OF OPERATIONS

Friends of the Museums of Florida History, Inc. (the Organization) was incorporated on December 14, 2001 as a Florida not-for-profit corporation. It was organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code to conduct programs and activities, sponsor research, sponsor promotions, raise funds, request and receive grants, gifts, contributions, dues and bequests of money, real and personal property; or acquire, receive, hold, invest and administer securities, funds, objects of value, or other property, real or personal; and, make expenditures and distributions to or for the benefit of the Museum of Florida History, Florida Department of State. On July 1, 2004, the corporation approved the combination of Friends of the Museum of Florida History, Inc., Friends of the Knott House, and Friends of the Old Capitol into the Organization. The mission of the Organization is to enhance and perpetuate historic properties and museums managed by the Museum of Florida History for the people of Florida and its visitors through assisting and advising the Museum on a statewide basis in the following ways:

- Developing and maintaining general membership support for the purposes of the Organization.
- Developing and providing staff services and merchandise, including, but not limited to, books, cards, stationary, postcards, and pamphlets for the gift shops at the Museum of Florida History, the Old Florida Capitol, the Knott House Museum and other locations deemed appropriate by the Organization and the Department of State, Division of Cultural Affairs.
- Providing a vehicle for grant funding and special projects for the Museum’s Florida Heritage Education Program, for the Florida History Fair, and for permanent, changing, and traveling exhibits.
- Providing support and recognition programs for the volunteers of the Museum.
- Making expenditures, distributions, and publications to or for the benefit of the Museum of Florida History.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Organization maintains separate cash accounts for restricted and designated purposes. Restricted cash is held in a separate account according to donor restrictions, which require the cash to be expended for a specific purpose. For purposes of the statement of cash flows, the



Friends of the Museums of Florida History, Inc.
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization reports investments in marketable securities with readily determinable fair values at their fair values in the statements of financial position. Unrealized and realized gains and losses from changes in the fair value of investments are reported in the statement of activities.

Inventory

Inventory consists of merchandise held for sale in the gift shops. It is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year-end. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been significant to the financial statements, and management considers the entire balance to be fully collectible.

Property and Equipment

Property and equipment (\$500 or more) are recorded at cost or, if donated, at the fair market value on the date of the donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of three to forty years.

Functional Allocation of Expenses

The cost of the Organization's programs has been summarized on a functional basis in the statement of activities. The majority of expenses are identifiable to a specific program and charged directly to the respective program. Expenses, primarily contributed personnel costs, which relate to both programs and general operations of the Organization, are allocated based on employees' budgeted time and use of space.

Advertising

Advertising costs are expensed as incurred. The Organization incurred \$3,008 in advertising expense during the year ended June 30, 2017.

Friends of the Museums of Florida History, Inc.
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code with the exception of any unrelated business income. There was no unrelated business income during the year ended June 30, 2017.

Net Assets

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Significant other observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Friends of the Museums of Florida History, Inc.
Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

Level 3 – Significant unobservable inputs.

The asset’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.

Fair values of investments measured on a recurring basis at June 30, 2017 are as follows:

<i>June 30, 2017</i>	FMV	Level 1	Level 2	Level 3
Fixed income securities				
Certificates of deposit	\$ 620,794	\$ -	\$ 620,794	\$ -
Mutual funds				
Equities	214,501	214,501	-	-
Fixed income - bonds	94,807	94,807	-	-
Real estate	12,223	12,223	-	-
Fixed income - US Treasury	2,892	2,892	-	-
Total investments	\$ 945,217	\$ 324,423	\$ 620,794	\$ -

Investments are comprised of certificates of deposit and marketable open-ended mutual funds which are measured at net asset value (NAV) which approximates fair market value. Their values are determined by reference to quoted market prices in active markets or identical assets.

Investment income included investment expenses of \$2,012 for the year ended June 30, 2017. Realized and unrealized gains totaled \$6,592 and \$9,521, respectively, for the year ended June 30, 2017. These amounts are included in investment income, net of expenses within the statement of activities.

NOTE 4 – PROPERTY AND EQUIPMENT - NET

Property and equipment – net consists of the following:

<i>June 30,</i>	2017
Furniture and fixtures	\$ 34,282
Equipment	5,991
Renovations	8,599
Total property and equipment	48,872
Less: Accumulated depreciation	(42,670)
Total property and equipment - net	\$ 6,202

Depreciation expense for the year ended June 30, 2017 was \$1,307.

Friends of the Museums of Florida History, Inc.
Notes to Financial Statements

NOTE 5 – NET ASSETS

Unrestricted net assets include amounts that have been designated for specific purposes as follows:

<i>June 30,</i>	2017
TREX Program	\$ 105,487
Florida Heritage Education	4,296
Total designated net assets	\$ 109,783

Temporarily restricted net assets are comprised of the following:

<i>June 30,</i>	2017
James Knott Temporarily Restricted Fund	\$ 174,393
Charles Knott Temporarily Restricted Fund	150,030
Viva Florida 500	29,146
Knott House Temporarily Restricted Fund	20,795
C.S.A. Flag Restoration	6,543
Support Your ST History Museum	4,883
Dale Jr. Chevy-FL auto Racing	2,231
General Support Contribution	1,000
Women's History Collection Fund	927
Old Capitol Christmas	31
Total temporarily restricted net assets	\$ 389,979

Permanently restricted net assets include funds related to the State of Florida's Cultural Endowment Program (the Program). The Organization is entitled to use the funds' investment earnings in accordance with the Organization's mission, but cannot invade the corpus. The Organization, at the discretion of its board of directors has the option at any time to return the corpus of \$240,000 to the State of Florida, and release the matching funds of \$360,000 from the permanent restrictions of the Program's agreement. See consideration of transfer of funds from permanently restricted net assets in Note 6.

NOTE 6 – ENDOWMENTS

The Organization's endowment consists of a donor-restricted fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Organization is governed by Florida Statute Chapter 617.2104 - *Florida Uniform Prudent Management of Institutional Funds Act*. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in the State of Florida during the 2011 legislative session and had an effective date of July 1, 2012.

Friends of the Museums of Florida History, Inc.
Notes to Financial Statements

NOTE 6 – ENDOWMENTS (CONTINUED)

Unless a donor imposes a restriction to the contrary, all endowment funds at the Organization adhere to the spending policy adopted by the Organization’s Board of Directors. Florida Statute does not require preservation of the fair value of the original gift, but rather specifically states that spending may include investment appreciation as well as principal.

Spending Policy - Funds generated from the investment of principal shall only be expended for operating costs incurred while engaging in programs directly related to the Organization’s mission. Funds generated from the investment of principal include realized and unrealized appreciation as well as natural income from dividends, interest and realized gain. Endowment funds may not be used as collateral.

With regard to donor-restricted endowments, the Organization respects and enforces the donor's restriction to preserve the historic gift value of the fund. This project is sponsored in part by the State of Florida through the Florida Department of State, Division of Cultural Affairs, and the Florida Council on Arts and Culture (Section 286.25, Florida Statutes).


Endowments consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ -	\$ -	\$ 380,000	\$ 380,000
Contributions and earnings	-	795	240,000	240,795
Transfers	-	-	(20,000)	20,000
Endowment net assets, June 30, 2017	\$ -	\$ 795	\$ 600,000	\$ 600,795

Transfers - In the prior year, management designated \$380,000 of funds to establish the endowment account and reported the funds as permanently restricted. During the current year, management approved the release of \$20,000 representing the portion of initial board designated funds that are not subject to the endowment’s matching funds restriction.

NOTE 7 – DONATED SERVICES AND FACILITIES

The State of Florida, through the Office of Cultural, Historical & Informational Programs of the Department of State, provides support to the Organization in the form of contributed personnel and occupancy costs. For the year ended June 30, 2017, the recorded value of the contributed services was \$108,876 and the value of the contributed gift shop space was \$38,913.



Friends of the Museums of Florida History, Inc.
Notes to Financial Statements

NOTE 8 – INCOME TAXES

The Organization utilizes the requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2017, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

NOTE 9 – CONCENTRATIONS

At June 30, 2017, the Organization held cash in financial institutions in excess of the federally insured limit of \$250,000. Additionally, the endowment accounts are invested in professionally managed open-ended mutual funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks in the near term could materially affect investment balances and the amounts reported in the financial statements.



SUPPLEMENTARY INFORMATION

Friends of the Museums of Florida History, Inc.
Schedule of Support and Revenue

<i>Year ended June 30,</i>	2017
Gift shop sales:	
Museum	\$ 120,672
Old Capitol	33,005
New Capitol	32,578
On-line sales	3,880
Knott House	124
Total gift shop sales	190,259
Less: cost of goods sold	79,239
Gross profit on gift shop sales	111,020
In-kind contributions	147,789
Contributions:	
Donation boxes	21,013
Membership	5,085
Unrestricted contributions	960
Total contributions	27,058
Grant revenue:	
Restricted Cultural Endowment	240,000
Support Your ST History Museum	8,500
Visit Florida - Children's Day	1,392
Total grant revenue	249,892
Education programs:	
Florida History Fair	19,955
Emancipation Day	4,750
Miscellaneous education programs	2,612
Knott House	1,128
Poetry Program	1,095
Children's Day	1,073
Valentine program	340
Total education program revenue	30,953
Exhibit revenue:	
TREX	10,644
Total exhibit revenue	10,644
Investment income:	
James Knott Endowment	19,757
Charles Knott Endowment	8,503
FL Cultural Endowment	795
Total investment income	29,055
Facility use and rental income:	
Café	10,568
Parking lot	5,429
Total facility use and rental income	15,997
Miscellaneous support and revenue	360
Total support and revenue	\$ 622,768

See independent Auditors' Report.

Friends of the Museums of Florida History, Inc.
Schedule of Expenses

<i>Year ended June 30,</i>	2017
Grant expenses:	
Dale Earnhardt-Chevrolet Florida Auto Racing	\$ 7,583
Support Your ST History Museum	3,617
Visit Florida-Children's Day	1,392
Total grant expenses	12,592
Education program expense:	
Florida History Fair	26,317
Third Thursday	12,021
Emancipation Day	4,565
Children's Day	2,552
Swing dance	1,623
Knott House general programming	1,344
Knott House poetry program	1,231
Miscellaneous education programming	1,034
Reflections	986
Outreach	440
Valentine program	438
History at High Noon	117
Second Saturday Family program	90
Total education program expense	52,758
Exhibit expenses:	
TREX exhibits	11,985
Guy LaBree 2016	2,268
Clyde Butcher	1,937
Other	381
Forever Changed-La Florida	242
Quilt Show	105
Total exhibit expenses	16,918
Knott House expenses	3,774
Membership	3,055
Volunteer program	258

See independent Auditors' Report.

Friends of the Museums of Florida History, Inc.
Schedule of Expenses
(Continued)

<i>Year ended June 30,</i>	2017
Administrative expenses:	
Contributed salaries	108,876
Payroll expenses	74,342
Occupancy	38,913
Professional fees	13,357
Merchant service charges	7,514
Office supplies	3,426
Advertising and marketing	3,008
Workers compensation insurance	2,051
Licenses and permits	1,598
Travel	1,492
Other	1,374
Depreciation	1,307
Hospitality	893
Board meeting expense	353
Total administrative expenses	258,504
Total expenses	\$ 347,859

See independent Auditors' Report.



REQUIRED COMMUNICATIONS



Required Communications

As discussed with the Board of Directors and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Organization. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Directors, in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the Organization's financial statements for the year ended June 30, 2017;
- Communicate directly with the Board of Directors and management regarding the results of our procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of Friends of the Museums of Florida History, Inc. for the year ended June 30, 2017, and have issued our report thereon dated January 19, 2018. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	<p>As stated in our engagement letter dated October 24, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
Client's responsibility	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
Planned scope and timing of the audit	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Organization and how they are disclosed.</i>	<p>No such risks or exposures were noted.</p>

<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors’ judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditors’ judgment about the quality, not just the acceptability, of the Organization’s accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Organization in its financial statements and our assessment of management’s disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>See Note 2 of the Notes to Financial Statements and the section entitled “Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality.”</p>
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Required Communications

<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the Organization, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."

Required Communications

<p>Major issues discussed with management prior to retention</p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>None.</p>
<p>Consultations with other accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>None of which we are aware.</p>
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>See “Management Representation Letter” section.</p>
<p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors’ attention during the audit.</i></p>	<p>See “Internal Control Findings” section.</p>
<p>Fraud and illegal acts</p> <p><i>Fraud involving the Organization’s management, or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors’ attention involving the Organization’s management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditors’ responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Organization's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATES	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Expenses	The Organization allocates expenses between program and supporting services as required by the AICPA Audit & Accounting Guide for Not-for-Profit Entities.	X	<p>The Organization reports expenses based on its functional classification.</p> <p>The allocation between program and supporting services is based on a combination of direct and indirect allocation of expenses. Indirect expenses are allocated between program and supporting services based on management's estimates of employees' program and non-program responsibilities.</p>	The Organization's policies are in accordance with the applicable accounting guidelines.
Investments	The Organization follows the provisions of ASC 820, <i>Fair Value Measurements and Disclosures</i> , when reporting investments.	X	The allocation between levels 1-3 under ASC 820 is based on management's review of the underlying investments. The Organization relies on valuations from its broker for 100% of the asset values.	The Organization's policies are in accordance with the applicable accounting guidelines.
Contributed Salaries and Space	Management records support provided by the State of Florida as revenue and offsetting expenses.	X	The Organization relies on valuation of salaries and space provided from the State of Florida. The valuation is based on an estimate of time spent on the Organization's activities and square footage of space used in operations.	The Organization's policies are in accordance with the applicable accounting guidelines.

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Organization and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the Organization or passed (uncorrected).

There were no passed adjustments as a result of our audit procedures.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Organization's operating environment that has been identified as playing a significant role in the Organization's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

Summary of Audit Adjustments

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To reclassify interorganization transfers from statement of activities.			
1002	Wells Fargo - FMFH	900.00	
4150	Prog. Support from FL Hist Shop	900.00	
1103	A/R FMFH		900.00
5001	Purchases		900.00
Total		<u>1,800.00</u>	<u>1,800.00</u>
Adjusting Journal Entries JE # 2			
To reclassify deposits in transit from receivables.			
1002	Wells Fargo - FMFH	882.00	
1103	A/R FMFH		882.00
Total		<u>882.00</u>	<u>882.00</u>
Adjusting Journal Entries JE # 3			
To reverse interorganization reimbursement of expense for Trex shipping payments.			
4101	Exhibit Income:TREX	1,844.00	
5001	Purchases		1,844.00
Total		<u>1,844.00</u>	<u>1,844.00</u>
Adjusting Journal Entries JE # 4			
To reverse history shop activity transferred for Childrens' day ticket sales.			
4501	Gift Shop Sales Income:Museum	1,073.00	
5001	Purchases		1,073.00
Total		<u>1,073.00</u>	<u>1,073.00</u>
Adjusting Journal Entries JE # 5			
To reverse program revenue for transfer of history shop t-shirt sales.			
4205	Education Program Income:Florida History Fair	5,255.00	
5001	Purchases		5,255.00
Total		<u>5,255.00</u>	<u>5,255.00</u>
Adjusting Journal Entries JE # 6			
To reverse membership payments obtained through the gift shop and transferred to membership revenue.			
4501	Gift Shop Sales Income:Museum	1,295.00	
5001	Purchases		1,295.00
Total		<u>1,295.00</u>	<u>1,295.00</u>
Adjusting Journal Entries JE # 7			
PBC - To record Leon County Florida History Fair 2016/17 reimbursement received subsequent to year end.			
1103	A/R FMFH	9,000.00	
4205	Education Program Income:Florida History Fair		9,000.00
Total		<u>9,000.00</u>	<u>9,000.00</u>

Friends of the
Museums of
Florida History, Inc.

Board of Directors

Lester Abberger
Managing Partner
B.L. Abberger & Co.
Tallahassee

Stephen R. Birtman
Legislative & Government
Affairs Manager
MagMutual Insurance Company
Tallahassee

John A. Boudet
Roetzel & Andress
Orlando

Monesia T. Brown, **Vice-chair**
Director of Public Affairs &
Government Relations
Walmart Stores, Inc.
Tallahassee

Bill Carlson
President, Tucker Hall
Tampa

Kathy Guilday
Tallahassee

Peter Harris
ADG Business &
Governmental Consultants
Tallahassee

Bill Herrle
Executive Director
National Federation of
Independent Business
Tallahassee

Lena Juarez, **Chair**
JEJ & Associates, Inc.
Tallahassee

Jon C. Moyle Jr., Esquire
Moyle Law Firm, P.A.
Tallahassee

Laura Rogers
Tallahassee Chamber of Commerce
Tallahassee

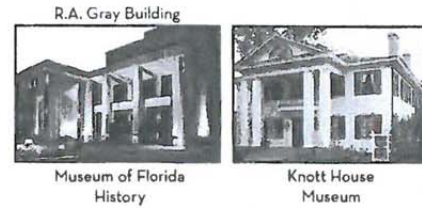
Sam Vickers
Design Containers, Inc.
Jacksonville

Museum Staff

Lisa Barton
Museum Director

Elyse Cornelison
Development & Financial Director

Katie Silcox
History Shop Supervisor



January 19, 2018

Carr, Riggs & Ingram, LLC
2633 Centennial Blvd.
Suite 200
Tallahassee, FL

This representation letter is provided in connection with your audit of the financial statements of Friends of the Museums of Florida History, Inc., which comprise the statements of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 19, 2018, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 24, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

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- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 19) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

- 21) Friends of the Museums of Florida History, Inc., is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 22) We acknowledge our responsibility for presenting the Schedule of Support and Revenue and the Schedule of Expenses in accordance with U.S. GAAP, and we believe the Schedule of Support and Revenue and the Schedule of Expenses, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Schedule of Support and Revenue and the Schedule of Expenses have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 23) In regard to the financial statement preparation services performed by you, we have—
- a) Assumed all management responsibilities.
 - b) Designated Elyse Cornelison, Development and Financial Director, who has suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.

Signature: Elyse Cornelison

Title: Development and Financial Director



**INTERNAL CONTROL
RECOMMENDATIONS**

The Board of Directors and Management of
Friends of the Museums of Florida History, Inc.

In planning and performing our audit of the financial statements of Friends of the Museums of Florida History, Inc. ("the Organization") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We included in the accompany table control deficiencies and other internal control recommendations for management and the Board of Director's consideration.

This communication is intended solely for the information and use of management, Board of Directors, others within Friends of the Museums of Florida History, Inc., and is not intended to be, and should not be, used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC

Tallahassee, Florida

January 19, 2018

Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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ITEM	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
1	SD	Reconciliation	During our audit, we identified the transfer of funds between Organization’s accounts, with corresponding activity recorded in revenue and expense accounts, which is not in accordance with GAAP.	Establish controls over the transfer and documentation of transfer of funds between accounts for appropriate reporting and elimination of duplication of revenue and expense recognized.	Management will develop procedures to ensure proper recording of transfers between general ledger program accounts and between cash accounts.
2	D	Record Keeping	During our audit, we identified the inability of management to produce original records relating to payroll due to a change in personnel who was responsible for the maintenance and retention of the records.	Establish controls over the record keeping and retention practices of documentation that supports the financial reporting system.	Management will develop procedures to ensure proper retention of documentation supporting the reporting system.
3	D	Reconciliation	During our audit, we identified amounts recorded as receivable that were already in possession of the Organization, but not deposited in a cash account.	Establish controls over reconciliations to identify funds received but not deposited for recognition as deposits in transit.	Management will develop procedures to ensure proper reconciliation of cash accounts and recognition of funds received before deposit.