

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

**FINANCIAL STATEMENTS**

**June 30, 2014**



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January 13, 2015

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

We are pleased to present the results of our audit of the 2014 financial statements of the Friends of the Museums of Florida History, Inc. ("the Organization").

This report to the Board of Directors and management summarizes our audit, the report issued and various analyses and observations related to the Organization's accounting and reporting. The document also contains the communications required by our professional standards.

Our GAAP audit was designed, primarily, to express an opinion on the Organization's 2014 financial statements. We considered the Organization's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the Organization's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.


This report is intended solely for the information and use of the Board of Directors, management and others within the Organization and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 850-878-8777 or [MCarter@CRICpa.com](mailto:MCarter@CRICpa.com).

Very truly yours,

A handwritten signature in blue ink that reads "Michael C. Carter".

Michael C. Carter, CPA  
Audit Partner



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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, 2014, and the related statement 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, 2014, 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 schedules of support and revenue, and expenses on pages 12-14 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, Florida  
January 13, 2015

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

<i>June 30,</i>	2014
<b>Assets</b>	
Current assets	
Cash	
Unrestricted cash	\$ 268,197
Restricted cash	33,934
Total cash	302,131
Inventory	60,188
Accounts receivable	10,253
Total current assets	372,572
Investments	679,702
Property and equipment - net	12,164
<b>Total assets</b>	<b>\$ 1,064,438</b>

**Liabilities and Net Assets**

Current liabilities	
Accounts payable	\$ 7,223
Accrued expenses	861
Total current liabilities	8,084

**Net assets**

Net assets - unrestricted	
Undesignated	225,120
Designated	96,240
Net assets - unrestricted	321,360
Net assets - temporarily restricted	734,994
Total net assets	1,056,354
<b>Total liabilities and net assets</b>	<b>\$ 1,064,438</b>

*See accompanying notes to financial statements.*

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

<i>Year ended June 30, 2014</i>	Unrestricted	Temporarily Restricted	Totals
<b>Support and revenue</b>			
Gift shop sales	\$ 223,147	\$ -	\$ 223,147
Less cost of goods sold	113,530	-	113,530
Gross profit	109,617	-	109,617
In-kind contributions	138,488	-	138,488
Contributions and memberships	21,844	11,116	32,960
Grant income	-	7,000	7,000
Education programs	44,692	-	44,692
Special events income	5,031	-	5,031
Exhibit income	17,656	-	17,656
Investment income	-	65,121	65,121
Facility use and rental income	15,738	-	15,738
Miscellaneous	956	-	956
Net assets released from restrictions	70,802	(70,802)	-
<b>Total revenue</b>	<b>424,824</b>	<b>12,435</b>	<b>437,259</b>
<b>Expenses</b>			
Program services	367,507	-	367,507
General and administrative	33,317	-	33,317
<b>Total expenses</b>	<b>400,824</b>	<b>-</b>	<b>400,824</b>
Change in net assets	24,000	12,435	36,435
Net assets, beginning of year	297,360	722,559	1,019,919
<b>Net assets, end of year</b>	<b>\$ 321,360</b>	<b>\$ 734,994</b>	<b>\$ 1,056,354</b>

*See accompanying notes to financial statements.*

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

<i>Year ended June 30,</i>	2014
<b>Operating activities</b>	
Change in net assets	\$ 36,435
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	2,717
Gain on investments	(50,287)
(Increase) decrease in:	
Inventory	9,868
Accounts receivable	(2,842)
Increase (decrease) in:	
Accounts payable	(4,110)
Accrued expenses	(488)
<b>Net cash (used in) operating activities</b>	<b>(8,707)</b>
<b>Investing activities</b>	
Proceeds from the sale of investments	17,739
Payments for the purchase of investments	(19,771)
<b>Net cash (used in) investing activities</b>	<b>(2,032)</b>
 Net change in cash	 (10,739)
 Cash, beginning of year	 312,870
<b>Cash, end of year</b>	<b>\$ 302,131</b>
 <b>Additional Disclosure</b>	
<b>Noncash: Unrealized gain on investments</b>	<b>\$ 45,633</b>

*See accompanying notes to 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, 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.
- Provide 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.
- Provide 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 gains and losses from changes in the fair value of investments are reported in the statements 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 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 material 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 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 accordingly.

***Advertising***

Advertising costs are expensed as incurred. The Organization incurred \$4,246 in advertising expense during the year ended June 30, 2014.

**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, 2014.

***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**

Investments include the following:

<i>June 30, 2014</i>	<b>FMV</b>	<b>Cost</b>
Mutual funds		
Stocks	\$ 199,559	\$ 145,910
Bonds	415,151	390,575
Real Estate	29,556	21,983
US Treasury	35,436	32,096
Total investments	\$ 679,702	\$ 590,564

Investment income included investment expenses of \$6,781 for the year ended June 30, 2014.

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

**NOTE 3 – INVESTMENTS (Continued)**

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.

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, 2014 are as follows:

<i>June 30, 2014</i>	<b>FMV</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual funds				
Stocks	\$ 199,559	\$ 199,559	\$ -	\$ -
Bonds	415,151	415,151	-	-
Real Estate	29,556	-	29,556	-
US Treasury	35,436	35,436	-	-
<b>Total investments</b>	<b>\$ 679,702</b>	<b>\$ 650,146</b>	<b>\$ 29,556</b>	<b>\$ -</b>

Investments are comprised of marketable open end 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 for identical assets.

Unrealized gains totaled \$45,633 for the year ended June 30, 2014.

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

**NOTE 4 – PROPERTY AND EQUIPMENT - NET**

Property and equipment – net consists of the following:

<i>June 30,</i>	<b>2014</b>
Furniture and fixtures	\$ 34,282
Equipment	26,518
Renovations	8,599
Software	7,421
Property and equipment	76,820
Less: Accumulated depreciation	(64,656)
Property and equipment - net	\$ 12,164

Depreciation expense for the years ended June 30, 2014 was \$2,717.

**NOTE 5 – NET ASSETS**

Temporarily restricted net assets are comprised of the following:

<i>June 30,</i>	<b>2014</b>
Charles Knott Endowment	\$ 508,089
James Knott Endowment	171,613
Viva Florida 500	33,934
Forever Changed La Florida	13,577
C.S.A. Flag Restoration	6,543
Women's History Collection Fund	927
Revkin-Lure of FL Fishing	243
FHC-Imagining	37
Old Capitol Christmas	31
Total temporarily restricted net assets	\$ 734,994

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

<i>June 30,</i>	<b>2014</b>
TREX Program	\$ 91,577
Florida Heritage Education	4,663
Total designated net assets	\$ 96,240



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

**NOTE 6 – 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, 2014, the recorded value of the contributed services was \$102,358 and the value of the contributed gift shop space was \$36,130.

**NOTE 7 – 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, 2014, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The federal income tax returns of the Organization are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**NOTE 8 – CONCENTRATION OF CREDIT RISK**

At June 30, 2014, 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 end mutual funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. 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.

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

<i>Year ended June 30,</i>	2014
<b>Gift shop sales:</b>	
Museum	\$ 137,552
Old Capitol	40,830
New Capitol	39,159
On-line sales	5,527
Knott House	79
Total gift shop sales	223,147
Less cost of goods sold	113,530
Gross profit on gift shop sales	109,617
<b>In-kind contributions</b>	<b>138,488</b>
<b>Contributed income:</b>	
Donation boxes	16,146
Restricted contributions	6,116
Membership	5,583
Flag preservation project	5,000
Unrestricted contributions	115
Total contributed income	32,960
<b>Grant income:</b>	
Rivkin-Lure of FL Fishing	5,000
FHC-Imagining	2,000
Total grant income	7,000
<b>Education programs:</b>	
Florida History Fair	29,330
Third Thursday	6,518
Emancipation Day	3,000
Miscellaneous education programs	2,113
Poetry program	1,543
Children's Day	1,370
Knott House	575
Valentine program	191
Swing dance	34
Florida Heritage Education program	18
Total education program income	44,692
<b>Special event income:</b>	
Florida Heritage Month Gala	5,031
Total special event income	5,031
<b>Exhibit income:</b>	
TREX	17,656
<b>Investment income:</b>	
James Knott Endowment	37,576
Charles Knott Endowment	27,545
Total investment income	65,121
<b>Facility use and rental income:</b>	
Café	9,661
Parking lot	6,077
Total facility use and rental income	15,738
<b>Miscellaneous support and revenue</b>	<b>956</b>
<b>Total support and revenue</b>	<b>\$ 437,259</b>

See Independent Auditors' Report.

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

<i>Year ended June 30,</i>	2014
<b>Grant expenses:</b>	
Rivkin-Lure of FL Fishing	\$ 4,757
FHC-Imaging	1,963
Total grant expenses	6,720
<b>Viva Florida 500</b>	<b>47,713</b>
<b>Education program expense:</b>	
Florida History Fair	27,294
Third Thursday	11,044
Movie Posters	3,983
Miscellaneous education programming	2,045
Children's Day	1,972
Swing dance	1,667
Fishing in Florida	1,453
Knott House general programming	1,423
Knott House poetry program	766
Florida Heritage Education program	367
Valentine program	294
Outreach	255
History at High Noon	180
Second Saturday Family program	156
Total education program expense	52,899
<b>Exhibit expenses:</b>	
TREX exhibits	10,110
Forever Changed: La Florida	3,568
La Florida-Spain	2,801
Fishing in Florida	1,925
Other	652
Quilt Show	42
Total exhibit expenses	19,098
<b>Knott House restricted expenses</b>	<b>2,480</b>
<b>Membership</b>	<b>2,268</b>
<b>Special event expenses:</b>	
Florida Heritage Month Gala	4,196
Total special event expenses	4,196
<b>Volunteer program</b>	<b>2,612</b>
<b>Total program services</b>	<b>137,986</b>

See Independent Auditors' Report.



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

<i>Year ended June 30,</i>	2014
<b>Administrative expenses</b>	
Contributed salaries	102,358
Payroll expenses	81,718
Occupancy	36,130
Professional fees	15,232
Merchant service charges	6,451
Office supplies	4,795
Advertising and marketing	4,246
Depreciation	2,717
Other	2,467
Workers compensation insurance	2,419
Travel	1,801
Licenses and permits	1,237
Hospitality	981
Board meeting expense	286
<b>Total administrative expenses</b>	<b>262,838</b>
<b>Total expenses</b>	<b>\$ 400,824</b>

See Independent Auditors' Report.

## 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, 2014;
- 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, 2014, and have issued our report thereon dated January 13, 2015. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Auditors' responsibility under Generally Accepted Auditing Standards</b></p>	<p>As stated in our engagement letter dated <b>October 14, 2014</b>, 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>
<p><b>Client's responsibility</b></p>	<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>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p><b>Management judgments and accounting estimates</b>  <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>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b>  <i>Major risks and exposures facing the Organization and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>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</b></p> <ul style="list-style-type: none"> <li>• <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></li> <li>• <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 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></li> <li>• <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></li> </ul>	<p>None.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p><b>Disagreements with management</b>  <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><b>Other findings or issues</b>  <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><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p><b>Corrected and uncorrected misstatements</b>  <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

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Major issues discussed with management prior to retention</b>  <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p><b>Consultations with other accountants</b>  <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p><b>Written representations</b>  <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p><b>Internal control deficiencies</b>  <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>	See "Internal Control Findings" section.
<p><b>Fraud and illegal acts</b>  <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>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p><b>Other information in documents containing audited financial statements</b>  <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"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <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 ESTIMATE	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.</p>	The Organization's policies are in accordance with all 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).

Client: Engagement: Period Ending: 1/0/1900 Workpaper:				
Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		4601		
Depreciation adjustment				
1300	Accumulated Depreciation		2,387.00	
5502	General & Administrative Exp.:Depreciation			2,387.00
<b>Total</b>			<b>2,387.00</b>	<b>2,387.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
PBC - Adjustment for in-kind contribution				
5519	General & Administrative Exp.:Occupancy		36,130.00	
5520	General & Administrative Exp.:Payroll Expenses:Contributed Salaries		833.00	
5520	General & Administrative Exp.:Payroll Expenses:Contributed Salaries		101,525.00	
4010	Contribution Income:In-kind Contributions			833.00
4010	Contribution Income:In-kind Contributions			137,655.00
<b>Total</b>			<b>138,488.00</b>	<b>138,488.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
PBC - To record client prepared JE.				
1103	Accounts Receivable		9,517.00	
5000	Cost of Goods Sold		354.00	
2001	Accounts Payable			354.00
4205	Education Program Income:Florida History Fair			6,780.00
4300	Facility Use/Reception Income:Rent from Cafe			737.00
4605	Grant Income: FHC-Imagining			2,000.00
<b>Total</b>			<b>9,871.00</b>	<b>9,871.00</b>
<b>Adjusting Journal Entries JE # 4</b>		4352		
To adjust investment activity to schedule for GAAP presentation.				
4800	Investment Income:J. Charles Knott Endowment, Res:Dividends		4,265.00	
4801	Investment Income:J. Charles Knott Endowment, Res:Realized Gain/Loss		2,776.00	
4802	Investment Income:J. Charles Knott Endowment, Res:Trustee Fees		1,621.00	
4803	Investment Income:J. Charles Knott Endowment, Res:Unrealized Gain/Loss		3,603.00	
4805	Investment Income:James Knott Endowment, Res.:Realized Gain/Loss		3,785.00	
4806	Investment Income:James Knott Endowment, Res.:Trustee Fees		415.00	
4804	Investment Income:James Knott Endowment, Res.:Dividends			11,735.00
4807	Investment Income:James Knott Endowment, Res.:Unrealized Gain/Loss			4,730.00
<b>Total</b>			<b>16,465.00</b>	<b>16,465.00</b>
<b>Adjusting Journal Entries JE # 5</b>		6003		
PBC - To Adjust Net Assets to indivudal account balances per management schedule.				
3000	Retained Earnings		158,613.00	
3500	Unrestricted Net Assets:Florida Heritage Education		475.00	
3502	Unrestricted Net Assets:Magazine Acct.		1,930.00	
5523	General & Administrative Exp.		1,417.00	
3002	Temp Restricted Net Assets:Viva Florida 500			77,280.00
3003	Temp Restricted Net Assets:Settlement in FL			13,295.00
3008	Temp Restricted Net Assets:JCharles Knott Cultural Endow			38,843.00
3009	Temp Restricted Net Assets:James Knott Maint. Endowment			1,859.00
3504	Unrestricted Net Assets:Net Gift Shop Earnings			3,035.00
3505	Unrestricted Net Assets:Operations			18,171.00
3506	Unrestricted Net Assets:TREX Program			9,952.00
<b>Total</b>			<b>162,435.00</b>	<b>162,435.00</b>

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.

# Management Representation Letter

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



### Board of Directors

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

Stephen R. Birtman  
Regional Director,  
Government Relations Humana, Inc.  
Tallahassee

John A. Boudet, Chair  
Roetzel & Andress  
Orlando

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

Kathy Guilday  
Tallahassee

Peter Harris  
ADG Business &  
Governmental Consultants  
Tallahassee

Bill Herrle  
Executive Director  
National Federation of  
Independent Business  
Tallahassee

Milissa Holland  
County Commissioner, District 2  
Flagler County  
Bunnell

Lena Juarez, Vice-chair  
JEJ & Associates, Inc.  
Tallahassee

Andrew H. McLeod  
A.H. McLeod LLC  
Tallahassee

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

Gavin Phipps  
Phipps Jewelry  
Tallahassee

Sam Vickers  
Design Containers, Inc.  
Jacksonville

### Museum Staff

Jeanne Brunson, Ph.D.  
Museum Director

Elyse Cornelison  
Development & Financial Director

Paige Breshike  
History Shop Supervisor

January 13, 2015

Carr, Riggs & Ingram, LLC

1713 Mahan Drive

Tallahassee, FL 32308

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, 2014, 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 13, 2015, 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 14, 2014, 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.

**Your Museum \* Your Florida \* Your History**  
500 SOUTH BRONOUGH STREET \* TALLAHASSEE, FLORIDA 32399-0250  
850.245.6400 \* www.museumoffloridahistory.com

## Management Representation Letter

Carr, Riggs, & Ingram  
January 15, 2015  
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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

## Management Representation Letter

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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.

Signature:

*Elyse Cornelison 1-15-14*

Title:

*Development & Financial Director*

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, 2014, 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 preceding 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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.

We included in the accompanying 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 and Board of Directors, 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

January 13, 2015

## Internal Control Findings

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

<b>IP = Improvement Point</b>	<b>D = Control Deficiency</b>	<b>SD = Significant Deficiency</b>	<b>MW = Material Weakness</b>
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ITEM	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
1	MW	Reporting	<p>During our audit, we proposed various entries in order for the financial statements to be fairly stated in accordance with GAAP.</p> <p>Management relies on us to prepare the financial statements and related note disclosures.</p>	<p>Management should review the adjustments made by us during the audit, and include them in the year end closeout procedures in future years.</p>	<p>Management believes the policy stated in the Item Noted column is the most cost-effective approach to prepare the annual financial statements in accordance with GAAP, since the Organization does not employ a certified public accountant.</p>