

# The Dan Marino Foundation, Inc.

Financial Statements and Additional Information  
For the Year Ended December 31, 2016

## The Dan Marino Foundation, Inc.

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of The Dan Marino Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
April 27, 2017

# FINANCIAL STATEMENTS

**The Dan Marino Foundation, Inc.**  
**Statement of Financial Position**  
**December 31, 2016**

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**Assets:**

Cash and cash equivalents	\$	1,182,237
Pledges, grants, and tuition receivable		1,058,546
Prepaid expenses and other assets, net		56,966
Investments		6,002,958
Property and equipment, net		<u>4,217,193</u>
Total assets	\$	<u><u>12,517,900</u></u>

**Liabilities:**

Accounts payable and accrued expenses	\$	155,765
Deferred revenue		492,122
Mortgage note payable		<u>1,726,790</u>
Total liabilities		<u>2,374,677</u>

**Net Assets:**

Unrestricted		7,872,433
Temporarily restricted		270,790
Permanently restricted		<u>2,000,000</u>
Total net assets		<u>10,143,223</u>
Total liabilities and net assets	\$	<u><u>12,517,900</u></u>

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

**The Dan Marino Foundation, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support and Revenues:</b>				
Grant and contract revenue, governmental and private	\$ 1,535,415	\$ -	\$ -	\$ 1,535,415
Contributions	597,395	-	-	597,395
Special events (net of direct expenses of \$ 487,701, including \$ 291,618 of in-kind expenses)	776,496	245,790	-	1,022,286
Fees for services	161,721	-	-	161,721
Investment income, net	151,491	41,521	-	193,012
Tuition revenue (net of tuition credits of \$ 45,216)	663,492	-	-	663,492
In-kind contributions	5,628	25,000	-	30,628
Other income	13,863	-	-	13,863
	<u>3,905,501</u>	<u>312,311</u>	<u>-</u>	<u>4,217,812</u>
Total public support and revenues				
Net assets released from restrictions	<u>245,808</u>	<u>(245,808)</u>	<u>-</u>	<u>-</u>
Total public support, revenues and net assets released from restrictions	<u>4,151,309</u>	<u>66,503</u>	<u>-</u>	<u>4,217,812</u>
<b>Expenses:</b>				
Program services	3,260,439	-	-	3,260,439
Support services:				
Management and general	182,370	-	-	182,370
Fundraising	333,696	-	-	333,696
	<u>3,776,505</u>	<u>-</u>	<u>-</u>	<u>3,776,505</u>
Total expenses				
Change in net assets	<u>374,804</u>	<u>66,503</u>	<u>-</u>	<u>441,307</u>
<b>Net Assets, January 1, 2016</b>	<u>7,497,629</u>	<u>204,287</u>	<u>2,000,000</u>	<u>9,701,916</u>
<b>Net Assets, December 31, 2016</b>	<u>\$ 7,872,433</u>	<u>\$ 270,790</u>	<u>\$ 2,000,000</u>	<u>\$ 10,143,223</u>

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

**The Dan Marino Foundation, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2016**

	Program Services					Supporting Services				Total Expenses
	Marino Campus-Ft Lauderdale	Marino Campus-Miami	Career Services	MARI/VITA	WalkAbout Autism	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Payroll, benefits and taxes	\$ 1,109,635	\$ 154,692	\$ 299,604	\$ 129,374	\$ 100,016	\$ 1,793,321	\$ 81,979	\$ 104,091	\$ 186,070	\$ 1,979,391
Professional services	99,190	47,307	32,834	518,329	46,572	744,232	4,906	126,669	131,575	875,807
Occupancy and interest	110,077	64,341	45,808	22,318	-	242,544	58,186	320	58,506	301,050
Provision for depreciation and amortization	65,034	1,349	30,248	15,125	10,585	122,341	15,125	15,125	30,250	152,591
Office	27,327	19,140	5,594	4,969	6,441	63,471	1,724	27,823	29,547	93,018
Donation distributions	250	-	-	20,000	28,457	48,707	-	33,816	33,816	82,523
Miscellaneous	35,738	10,160	4,426	3,788	4,053	58,165	2,026	10,704	12,730	70,895
Research	-	-	-	68,523	-	68,523	-	-	-	68,523
Travel and meetings	13,794	4,503	6,115	8,672	3,096	36,180	1,419	9,534	10,953	47,133
Other personnel	14,125	7,553	10,324	2,421	2,922	37,345	1,041	5,614	6,655	44,000
Academic services	38,126	2,346	2,223	-	-	42,695	-	-	-	42,695
In-kind	-	845	-	2,070	-	2,915	15,964	-	15,964	18,879
<b>Total</b>	<b>\$ 1,513,296</b>	<b>\$ 312,236</b>	<b>\$ 437,176</b>	<b>\$ 795,589</b>	<b>\$ 202,142</b>	<b>\$ 3,260,439</b>	<b>\$ 182,370</b>	<b>\$ 333,696</b>	<b>\$ 516,066</b>	<b>\$ 3,776,505</b>

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



**The Dan Marino Foundation, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

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<b>Cash Flows From Operating Activities:</b>	
Change in net assets	\$ 441,307
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation and amortization	152,591
Net realized/unrealized (gain) loss on investments	(84,695)
(Increase) decrease in:	
Pledges, grants, and tuition receivable	237,732
Prepaid expenses and other assets	6,108
Increase (decrease) in:	
Accounts payable and accrued expenses	83,440
Deferred revenue	(568,786)
	<u>267,697</u>
Net cash provided by (used in) operating activities	<u>267,697</u>
<b>Cash Flows From Investing Activities:</b>	
Proceeds from sales and maturities of investments	2,501,215
Purchases of investments	(2,542,223)
Purchases of property and equipment	(89,380)
	<u>(130,388)</u>
Net cash provided by (used in) investing activities	<u>(130,388)</u>
<b>Cash Flows From Financing Activities:</b>	
Principal payments on mortgage note payable	(49,664)
	<u>(49,664)</u>
Net cash provided by (used in) financing activities	<u>(49,664)</u>
Net increase (decrease) in cash and cash equivalents	87,645
<b>Cash and Cash Equivalents, January 1, 2016</b>	<u>1,094,592</u>
<b>Cash and Cash Equivalents, December 31, 2016</b>	<u>\$ <u>1,182,237</u></u>
<b>Supplemental Disclosure of Cash Flows Information:</b>	
Cash paid during the year for interest on the mortgage	<u>\$ <u>70,525</u></u>

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

## Note 1 - Organization and Operations

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

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

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

## Note 2 - Summary of Significant Accounting Policies

**Basis of presentation:** The financial statements have been prepared using the accrual basis of accounting under the guidance of Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. These financial statements include the accounts of the Foundation and ViTA DMF (collectively, the "Foundation").

**Net assets:** The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are defined as follows:

*Unrestricted net assets* consist of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted net assets* represent net assets with a donor-imposed restriction that is satisfied either by the passage of time or by actions of the Foundation.

*Permanently restricted net assets* result primarily from contributions and other inflows of assets subject to donor restrictions requiring that the assets be maintained by the Foundation in perpetuity.

**Use of estimates:** The Foundation makes estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Contributions and other receivables:** Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as restricted support. However, if a restriction is fulfilled in the same period in which the contribution is received, the Foundation reports the support as unrestricted.

Pledges receivable due in excess of one year are discounted at the present value of their estimated future cash flows. Management provides for probable uncollectible amounts based on its assessment of recent collection history and current donor/student relationships. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Foundation did not record an allowance for the year ended December 31, 2016. In addition, all pledges, grants, and tuition receivable balances are due within the next year.

**Donated services, and property and equipment:** Contributed services are reported as contributions at their estimated fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. During the year ended December 31, 2016, the Foundation recorded approximately \$ 31,000 of contributed services. In addition, the Foundation recorded approximately \$ 292,000 of contributed services related to special events hosted during 2016.

Donated property and equipment is reported, at estimated fair value, as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of the donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. The Foundation did not receive donated property and equipment during the year ended December 31, 2016.

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

Management considers credit risk associated with pledges and tuition receivable to be low due to the diversity of the donors and the recurring nature of many donations as well as the nature of services provided. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Foundation has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

**Unamortized loan costs:** Loan costs are amortized using the straight-line method over the term of the related debt, and is included in other current assets in the accompanying Statement of Financial Position. The provision for amortization was approximately \$ 700 for the year ended December 31, 2016.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Property and equipment:** Property and equipment are stated at cost or, if donated to the Foundation, at estimated fair value at the date of donation. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets which is as follows:

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

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

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

**Grant and contract revenue:** Grant and contract revenue is recognized when the allowable costs as defined by the individual grant or contract are incurred and/or the unit of service has been provided.

**Tuition and fees for services:** Tuition revenue is deferred until the services have been provided to the students, at which time, the tuition revenue is recognized. The Foundation provided tuition credits to students that met specific requirements. These tuition credits are recognized along with the tuition revenue.

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

**Allocation of functional expenses:** The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Certain administrative personnel perform duties which include both program and support functions. The expenses associated with these personnel are allocated based on the estimated hours devoted to each function. Other common administrative expenses are allocated based on the estimated utilization by the respective function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Date of management review:** Subsequent events were evaluated by management through April 27, 2017, which is the date the financial statements were available to be issued.

### Note 3 - Investments

Investments are presented in the financial statements at their estimated fair market values and consist of the following at December 31, 2016:

Corporate bonds	\$	3,706,724
Equities		1,502,860
Money markets and equivalents		591,131
Certificate of deposits		<u>202,243</u>
Total	\$	<u>6,002,958</u>

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

Interest and dividends	\$	140,729
Net realized and unrealized investment gains (losses)		84,695
Advisory fees		<u>(32,412)</u>
Total	\$	<u>193,012</u>

### Note 4 - Fair Value Measurements

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

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

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

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

**The Dan Marino Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**

**Note 4 - Fair Value Measurements (continued)**

Description	Fair Value Measurements at Reporting Date Using:			
	Fair Value December 31, 2016	Level 1	Level 2	Level 3
Corporate bonds	\$ 3,706,724	\$ 3,706,724	\$ -	\$ -
Equities	1,502,860	1,502,860	-	-
Money market and equivalents	591,131	591,131	-	-
Certificate of deposits	202,243	202,243	-	-
Total	\$ <u>6,002,958</u>	\$ <u>6,002,958</u>	\$ <u>-</u>	\$ <u>-</u>

**Note 5 - Property and Equipment**

Property and equipment consisted of the following at December 31, 2016:

Building and improvements	\$ 3,487,425
Furniture and equipment	543,587
	<u>4,031,012</u>
Less accumulated depreciation	741,923
	<u>3,289,089</u>
Land	928,104
	<u>928,104</u>
	\$ <u>4,217,193</u>

Depreciation expense was approximately \$ 152,000 for the year ended December 31, 2016.

**Note 6 - Mortgage Note Payable**

The Foundation has a mortgage note payable to a bank which bears interest at a current fixed rate of 3.75% per annum. Effective October 2021, the interest rate will adjust by adding .25% to the then Prime rate. The loan is collateralized by a first mortgage on the real property and an assignment of all rents. Principal and interest payments of approximately \$ 9,000 are due monthly; and a balloon payment of approximately \$ 1,227,000, plus accrued interest, is due on maturity, October 2026. The total amount outstanding as of December 31, 2016 was \$ 1,726,790.

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

Year Ending December 31,	
2017	\$ 44,000
2018	45,000
2019	47,000
2020	49,000
2021	51,000
Thereafter	<u>1,491,000</u>
	\$ <u>1,727,000</u>

Interest expense totaled approximately \$ 71,000 for the year ended December 31, 2016.

#### Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are related to the following categories as of December 31, 2016:

WalkAbout Autism - 2017 Event	\$	245,790
Various Events and Fundraisers		<u>25,000</u>
	\$	<u><u>270,790</u></u>

Temporarily restricted net assets are comprised of cash, cash equivalents and investments (\$ 245,790) and short-term promises to give (\$ 25,000).

#### Note 8 - Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2016 consist of an endowment fund established in 2005 to support the programs of the Marino Autism Research Institute ("MARI") (Note 9). Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and net investment earnings from the fund is to support the MARI programs.

At December 31, 2016, MARI endowment fund consists of contributions from a donor totaling \$ 2,000,000 (Permanently Restricted) and Foundation's net matching contributions totaling \$ 1,084,497 (Unrestricted).

#### Note 9 - Endowments

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

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

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

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

**Note 9 - Endowments (continued)**

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

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

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

**Funds with deficiencies:** From time to time, the fair value of assets associated with individual temporarily and permanently donor restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets to the extent that the deficiencies fall below the permanently restricted corpus. There were no deficiencies as of December 31, 2016.

For the year ended December 31, 2016, the Foundation has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ 1,096,786	\$ -	\$ 2,000,000	\$ 3,096,786
Interest and dividends, net	-	59,007	-	59,007
Investment changes, net	-	(17,486)	-	(17,486)
Appropriation of endowment assets for expenditures (distributions), net	(12,289)	(41,521)	-	(53,810)
Endowment net assets, ending	<u>\$ 1,084,497</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 3,084,497</u>

Endowment Net Asset Composition by category as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Board-designated endowment funds	<u>1,084,497</u>	<u>-</u>	<u>-</u>	<u>1,084,497</u>
Total endowment funds	<u>\$ 1,084,497</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 3,084,497</u>



**Note 9 - Endowments (continued)**

Endowment assets at December 31, 2016 are invested as follows:

Corporate bonds	\$	2,625,253
Money markets and equivalents		257,001
Certificates of deposits		<u>202,243</u>
Total	\$	<u><u>3,084,497</u></u>

**Note 10 - Retirement Plan**

The Foundation offers a safe harbor 401(k) retirement plan covering eligible employees. Employee contributions are based upon the amount of compensation each participant elects to defer yearly, which may be “before tax” or “after tax - Roth 401(k).” Generally, such deferral amount may not exceed the lesser of 100% of total compensation or \$ 18,000 (\$ 24,000 if over age 50) for each participant. The Foundation provides a 3% safe harbor nonelective contribution to eligible employees. In addition, the Foundation may also, at its option, make a profit sharing contribution to the Plan. The total 401(k) plan expense to the Foundation, for the year ended December 31, 2016, amounted to approximately \$ 34,000.

**Note 11 - Related Party Transactions**

A Board Member for the Foundation is also employed by the investment firm that provides advisory services to the Foundation. Advisory fees, for the year ended December 31, 2016, amounted to approximately \$ 32,000.

**Note 12 - Commitments and Contingencies**

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

**Lease Commitment:** In February 2016, the Foundation entered into a one hundred twenty (120) month lease agreement with Florida International University for office space. At December 31, 2016, the lease agreement provides for payments of approximately \$ 15,000 per month through February 2021. Rent expense in connection with this lease, and other arrangements, for the year ended December 31, 2016 amounted to approximately \$ 73,000. The Foundation is presently committed to approximate lease payments under the terms of this agreement as follows:

Year Ending December 31,		
2017	\$	181,000
2018		181,000
2019		181,000
2020		181,000
2021		<u>30,000</u>
	\$	<u><u>754,000</u></u>

## SUPPLEMENTAL INFORMATION

The Dan Marino Foundation, Inc.  
 Schedule of Expenditures of State Financial Assistance  
 For the Year Ended December 31, 2016

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State Agency/Pass-through Entity State Project	CSFA Number	Contract/ Agreement Number	Expenditures	Transfers to Subrecipients
<b>State Financial Assistance:</b>				
Direct Project:				
Florida Department of Education -				
Adults with Disabilities:				
ITEM Program - Dan Marino Foundation	48.121	92E-90560-6Q001 & 92E-90560-7Q001	\$ <u>790,224</u>	\$ <u>-</u>
Total expenditures of state financial assistance			\$ <u><u>790,224</u></u>	\$ <u><u>-</u></u>

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

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of State Financial Assistance includes the grant activity of the Foundation and is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

**Note 2 - Contingency**

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

**Note 3 - Interest**

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

# INTERNAL CONTROLS AND COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Dan Marino Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
April 27, 2017

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

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

**Report on Compliance for Each Major State Project**

We have audited the Dan Marino Foundation, Inc.'s (a nonprofit organization) (the "Foundation") compliance with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major state project for the year ended December 31, 2016. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on the Major State Project**

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended December 31, 2016.



## Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
April 27, 2017

**The Dan Marino Foundation, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016**

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**A. Summary of Auditor's Results**

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

<u>State Project:</u>	<u>State CSFA No.</u>
Florida Department of Education - Adults with Disabilities: ITEM Program - Dan Marino Foundation	48.121

8. The threshold for distinguishing Types A and B projects was \$ 237,067.

**B. Findings - Financial Statements Audit**

No matters were reported.

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

No matters were reported.

**D. Other Issues**

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