

**SECOND WIND DREAMS, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2019**

**SECOND WIND DREAMS, INC.**

**FINANCIAL REPORT  
DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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**To the Board of Directors  
Second Wind Dreams, Inc.  
Atlanta, GA**

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

We have audited the accompanying financial statements of **Second Wind Dreams, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Second Wind Dreams, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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***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 federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 15, 2021, on our consideration of Second Wind Dreams, Inc.'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 Second Wind Dreams, Inc.'s internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
January 15, 2021

## SECOND WIND DREAMS, INC.

### STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 974,137	\$ 599,490
Grants receivable	180,139	284,353
Accounts receivable, net of allowance of \$13,064 in 2019 and \$18,791 in 2018	52,914	65,892
Inventories	55,889	49,018
Prepaid expenses and other assets	17,962	10,979
Total current assets	1,281,041	1,009,732
 <b>Total assets</b>	<b>\$ 1,281,041</b>	<b>\$ 1,009,732</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 37,476	\$ 31,372
Deferred revenue	23,780	-
Deferred rent	6,163	3,920
Total current liabilities	67,419	35,292
<b>NONCURRENT LIABILITIES</b>		
Deferred rent	32,519	38,682
Total noncurrent liabilities	32,519	38,682
 <b>Total liabilities</b>	<b>99,938</b>	<b>73,974</b>
<b>NET ASSETS</b>		
Without donor restrictions	1,181,103	935,758
Total net assets	1,181,103	935,758
 <b>Total liabilities and net assets</b>	<b>\$ 1,281,041</b>	<b>\$ 1,009,732</b>

**See Notes to Financial Statements.**

## SECOND WIND DREAMS, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Grants	\$ 1,200,215	\$ -	\$ 1,200,215
Dreams program	143,480	-	143,480
VDT, net of cost of goods sold	1,253,767	-	1,253,767
In-kind revenue	30,400	-	30,400
Other income	13,868	-	13,868
Investment income	460	-	460
Total revenues, gains, and other support	2,642,190	-	2,642,190
<b>EXPENSES</b>			
Program services	2,057,710	-	2,057,710
Supporting services			
Management and general	225,568	-	225,568
Fundraising	113,567	-	113,567
Total expenses	2,396,845	-	2,396,845
Change in net assets	245,345	-	245,345
Net assets, beginning of year	935,758	-	935,758
Net assets, end of year	\$ 1,181,103	\$ -	\$ 1,181,103

**See Notes to Financial Statements.**

## SECOND WIND DREAMS, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Grants	\$ 975,939	\$ -	\$ 975,939
Dreams program	133,303	-	133,303
VDT, net of cost of goods sold	965,718	-	965,718
In-kind revenue	28,000	-	28,000
Other income	14,183	-	14,183
Investment income	439	-	439
Total revenues, gains, and other support	2,117,582	-	2,117,582
<b>EXPENSES</b>			
Program services	1,769,179	-	1,769,179
Supporting services			
Management and general	168,122	-	168,122
Fundraising	106,099	-	106,099
Total expenses	2,043,400	-	2,043,400
Change in net assets	74,182	-	74,182
Net assets, beginning of year	861,576	-	861,576
Net assets, end of year	\$ 935,758	\$ -	\$ 935,758

**See Notes to Financial Statements.**

## SECOND WIND DREAMS, INC.

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Totals
		Management and General	Fund- Raising	
Salary expenses	\$ 959,475	181,096	\$ 90,547	1,231,118
Travel and meetings	127,740	5,624	2,812	136,176
Training	437,554	147	74	437,775
Office expenses	81,467	13,098	6,549	101,114
Rent and utilities	73,824	17,921	8,961	100,706
Consultants and contractors	285,934	-	-	285,934
Sales expenses	21,008	-	-	21,008
Miscellaneous	70,708	7,682	3,841	82,231
Marketing	-	-	783	783
Total expenses	<u>\$ 2,057,710</u>	<u>\$ 225,568</u>	<u>\$ 113,567</u>	<u>\$ 2,396,845</u>

See Notes to Financial Statements.



## SECOND WIND DREAMS, INC.

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Totals
		Management and General	Fund- Raising	
Salary expenses	\$ 859,938	\$ 145,892	\$ 72,946	\$ 1,078,776
Travel and meetings	98,262	2,724	1,362	102,348
Training	160,734	341	171	161,246
Office expenses	143,871	9,548	4,774	158,193
Rent and utilities	79,117	9,077	4,538	92,732
Consultants and contractors	355,289	540	270	356,099
Sales expenses	30,296	-	-	30,296
Miscellaneous	41,672	-	-	41,672
Marketing	-	-	22,038	22,038
Total expenses	<u>\$ 1,769,179</u>	<u>\$ 168,122</u>	<u>\$ 106,099</u>	<u>\$ 2,043,400</u>

See Notes to Financial Statements.

## SECOND WIND DREAMS, INC.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 245,345	\$ 74,182
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Grants receivable	104,214	(247,056)
Accounts receivable	12,978	106,370
Inventories	(6,871)	2,318
Prepaid expenses and other assets	(6,983)	(7,694)
Increase (decrease) in:		
Accounts payable	6,104	17,982
Deferred revenue	23,780	-
Deferred rent	(3,920)	42,602
Net cash provided by (used in) operating activities	<u>374,647</u>	<u>(11,296)</u>
 Increase (decrease) in cash and cash equivalents	 374,647	 (11,296)
 Cash and cash equivalents, beginning of year	 <u>599,490</u>	 <u>610,786</u>
 Cash and cash equivalents, end of year	 <u>\$ 974,137</u>	 <u>\$ 599,490</u>

See Notes to Financial Statements.

# SECOND WIND DREAMS, INC.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Second Wind Dreams, Inc. (“the Organization”) was founded in 1997 to change the perception of aging through the fulfillment of dreams and the offering of innovative educational opportunities to caregivers and communities. The Organization is headquartered in Atlanta, Georgia. The Organization has become involved in more than 1,000 eldercare communities in 20 countries. Financial support for Second Wind Dreams comes from individual contributions, memberships, corporations, government entities and eldercare industry associations. Additional revenue is generated as a result of Second Wind Dreams’ education program, the Virtual Dementia Tour, a scientifically proven method to increase sensitivity towards those with dementia.

#### **Basis of Accounting**

These financial statements are presented on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America.

The Organization follows the requirements of the Financial Accounting Standards Board (FASB)’s *Financial Statements of Not-for-Profit Organizations*. Under this guidance, The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. It is the policy of the board of directors to review their financial standing from time to time and to designate sums of net asset without donor restrictions for specific efforts.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at December 31, 2019 and 2018, respectively.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

#### **Grants Receivable**

Grants and contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected and no allowance for doubtful accounts is determined to be needed. There were \$180,139 and \$284,353 in grants receivable at December 31, 2019 and 2018, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounts Receivable

Accounts receivable are shown less an allowance for uncollectible amounts. There were \$52,914 and \$65,892 in accounts receivable, net of allowance, at December 31, 2019 and 2018, respectively.

#### Inventory

Inventory is made up of materials used for sale and use in the Virtual Dementia Tour program. Inventory is recorded at the lower of cost or net realizable value using an industry standard valuation.

#### Revenue Recognition

In accordance with FASB, unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are available for undesignated use unless specifically restricted by the donor. Amounts received and investment income earned that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases those net asset classes. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. The Organization reports donor-restricted support whose restrictions are met in the same reporting period as undesignated support.

The Organization records the value of donated property, goods or services when there is an objective basis available to measure their value. Donated property, materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements of activities and changes in net assets for volunteer services because the criteria for recognition of such volunteer effort under FASB guidance have not been satisfied. Nevertheless, volunteers have donated a substantial amount of their time to the program services of the Organization. The Organization recognized \$30,400 and \$25,000 in donated legal services during the years ended December 31, 2019 and 2018, respectively.

#### Grants and Contracts Support

The Organization is funded, in part, by contracts with various federal, state, and local government agencies and other nonprofit agencies. These contracts are generally cost reimbursement contracts for specific expenses and require the Organization to perform specific services to eligible populations. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the contracts.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures 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.

#### Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The expenses that are allocated on the basis of time and effort include salaries, travel, training, office expenses and other general and administrative expenses.

#### Income Taxes

Second Wind Dreams, Inc. qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is generally exempt from federal income taxes under Internal Revenue Code Section 501(a). It is however, required to file Federal Form 990 – Return of Organization Exempt from Income Tax. This is an informational return only. Accordingly, no provision for income taxes is made in the financial statements. Management evaluated the Organization's tax positions and concluded that they have taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions on accounting for uncertainty in income taxes.

The Organization files Form 990 in the State of Georgia.

#### Recent Accounting Pronouncements:

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and establishes standards for characterizing contributions (nonreciprocal) subject to ASC Topic 958 or as exchange transactions (reciprocal) subject to ASC Topic 606. For the year ending December 31, 2019, the Organization adopted ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. The adoption of ASU 2018-08 did not have an impact on the timing of the revenue recognition related to the Dreams Program or Virtual Dementia Tour.

### NOTE 2. CONCENTRATIONS

The Organization maintains deposit accounts at a bank which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has all cash deposited in one financial institution. Cash balances were in excess of the FDIC insured level by \$785,875 and \$358,715 at December 31, 2019 and 2018. Management does not believe it is exposed to significant credit risk on cash and cash equivalents.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. LEASE COMMITMENTS

Rental expenses for the old and new corporate headquarters amounted to a total of \$111,605 and \$69,002 for the year ended December 31, 2019 and 2018, respectively.

The old lease is amortized on a straight-line basis over the life of the lease with a payment of \$2,200 due monthly. The old lease expired in June 2019.

The new lease is amortized on a straight-line basis over the life of the lease with a payment of \$7,427 due monthly starting in January 2019, \$7,715 for January and February 2020 and \$15,429 for the remaining months in 2020. The monthly payment increases by 2.5% every 12 months thereafter. The new lease expires in December 2024.

The remaining cash commitments on the leases are as follows:

2020	\$	169,721
2021		189,750
2022		194,580
2023		199,410
2024		204,355
	\$	<u>957,816</u>

### NOTE 4. LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 974,137	\$ 599,490
Accounts receivable, net of allowance	52,914	65,434
Grants receivable	180,139	284,353
Other assets	4,408	1,352
	<u>\$ 1,211,598</u>	<u>\$ 950,629</u>

Other assets include \$8,227 and \$9,627 as of December 31, 2019 and 2018, respectively, in security deposits, which are not available for use in the next year. Grants receivable are reimbursement funds for expenditures already purchased and are therefore available for general expenditures.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 5. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 15, 2021, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the change in net assets. Other financial impacts could occur through the extent of potential impact is unknown at this time.

On April 8, 2020, the Organization qualified for and received a loan pursuant to the Payroll Protection Program, a program implemented under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of \$233,210 (the "PPP Loan"). The PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of twenty four months. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses.

**SINGLE AUDIT SECTION**

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**SECOND WIND DREAMS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>CFDA Number</u>	<u>Awarding Agency</u>	<u>Program Name</u>	<u>Grant Award Number</u>	<u>Contract Term</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)</b>					
<i>Passed through the Georgia Department of Community Health (DCH)</i>					
93.636	HHS - GA DCH	Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	16060G	6/10/16 - 4/14/19	\$ 133,394
<i>Passed through the North Carolina Department of Health and Human Services Division of Health Service Regulation (HHS)</i>					
93.636	HHS - NC HHS	Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	00036693	3/19/18 - 3/18/20	703,521
<i>Passed through the Mississippi Division of Medicaid (DM)</i>					
93.636	HHS - MS DM	Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	2019-04-MS-0313	10/1/19 - 9/30/22	80,982
<b>Total Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents</b>					<b>\$ 917,897</b>
<i>Passed through the Wisconsin Department of Health Services (DHS)</i>					
93.778	HHS - WI DHS	Medical Assistance Program	435600-G19-DementTour-00	10/1/18 - 9/30/20	258,736
<b>Total Medical Assistance Program</b>					<b>\$ 258,736</b>
<b>TOTAL - U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)</b>					<b>\$ 1,176,633</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<b>\$ 1,176,633</b>

**SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**SECOND WIND DREAMS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Second Wind Dreams, Inc. under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3. INDIRECT COST RATE**

Second Wind Dreams, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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***

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**To the Board of Directors  
Second Wind Dreams, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Wind Dreams, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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 January 15, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Second Wind Dreams, Inc.'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 Second Wind Dreams, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design 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.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Second Wind Dreams, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
January 15, 2021



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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**To the Board of Directors  
Second Wind Dreams, Inc.**

### **Report on Compliance for Each Major Federal Program**

We have audited Second Wind Dreams, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Second Wind Dreams, Inc.'s major federal programs for the year ended December 31, 2019. Second Wind Dreams, Inc.'s major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Second Wind Dreams, Inc.'s major federal programs 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about Second Wind Dreams, Inc.'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 each major federal program. However, our audit does not provide a legal determination of Second Wind Dreams, Inc.'s compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Second Wind Dreams, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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## Report on Internal Control Over Compliance

Management of Second Wind Dreams, Inc. 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 Second Wind Dreams, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Second Wind Dreams, Inc.'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 federal program 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 federal program 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 a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
January 15, 2021

**SECOND WIND DREAMS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS:**

**Financial Statements:**

Type of auditors' report issued	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weaknesses identified?	_____	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	_____	<u>None reported</u>
Noncompliance material to the financial statements noted?	_____	<u>X</u>

**Federal Awards:**

Internal controls over major programs:		
Material weaknesses identified?	_____	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	_____	<u>None reported</u>
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>	
Audit findings required to be reported in accordance with 2 CFR Section 200.516(a)	<u>No</u>	

**Identification of major programs:**

Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	<b>93.636</b>	
Dollar threshold used to distinguish between type A and type B programs	<b>\$ 750,000</b>	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	_____	<u>X</u>
Financial statement findings?	_____	<u>X</u>
Findings and questioned costs for Federal awards?	_____	<u>X</u>

**SECOND WIND DREAMS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

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**Section II – Financial Statement Findings**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:**

None



**SECOND WIND DREAMS, INC.**  
**SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**Section II – Financial Statement Findings**

2018-001

*Criteria:*

Internal transfers and billings between cost centers should be eliminated.

*Condition:*

Revenues and expenses related to grants were booked twice instead of allocated to specific grant accounts out of the main revenue or expense account.

*Cause:*

Revenues and expenses relating to grants were recorded by the individual grant cost center and then recorded again as a bill to the Organization's central cost center. This led to double booking of revenues and expenses.

*Effect:*

Accounts Receivable were overstated by \$195,055, Deferred Rent and Accrued Grant Expenses were overstated by \$252,652, Grant Reimbursement Revenue was overstated by \$290,449 and Grant Expenses were overstated by \$348,046 for the year ended December 31, 2018.

*Recommendations:*

We recommend that management discontinue use of internal invoices between cost centers and code specific expenses or allocate larger, multi-grant use expenses to each individual grant coding for that account.

*Current Status:*

The finding does not warrant further action. Management corrected the error and updated procedures to ensure proper recording in the future. (Resolved)

**SECOND WIND DREAMS, INC.**  
**SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**Section II – Financial Statement Findings (Continued)**

2018-002

*Criteria:*

All reimbursable expenses during the year should have a corresponding revenue and receivable amount as stated by the matching principle. All gifts given that are restricted by time should be recorded as restricted revenues in the year received.

*Condition:*

Revenues from a grant receivable and a December contribution for use in a future year were not recorded as revenue during the fiscal year 2018.

*Cause:*

The reimbursement invoice request for the grant was not submitted until after year end. This led to the receivable and revenue being recorded during the following fiscal year of 2019. The gift received in December 2018 was for use in 2019 and was recorded as a deferred income item and not restricted revenue for use at a future date.

*Effect:*

Receivable balance for the year ended December 31, 2018 was understated by \$187,807. Revenues were understated by \$262,807. Deferred revenues were overstated by \$75,000.

*Recommendations:*

We recommend that management review and record reimbursable grant revenues in the same time period as the expenses being reimbursed. We recommend recording all revenue gifts received and restricted for a future time period as restricted revenue when received.

*Current Status:*

The finding does not warrant further action. Management corrected the error and updated procedures to ensure proper recording in the future. (Resolved)

**SECOND WIND DREAMS, INC.**  
**SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**Section II – Financial Statement Findings (Continued)**

2018-003

*Criteria:*

All lease incentives must be recognized on a straight-line basis over the life of the lease and represents a reduction in expenses for the lessee and a reduction in revenue for the lessor

*Condition:*

Rent expense was recorded on the cash basis. No deferred rent was recorded.

*Cause:*

The Organization's new office lease contained 6 months abated rent during the fiscal year 2018. This abated rent was not included in a straight-line basis calculation over the life of the lease.

*Effect:*

Rent expense and deferred rent were understated by \$42,602.

*Recommendations:*

We recommend that management create a deferred rent spreadsheet and make the correct entry to cash, rent expense and deferred rent each month when rent is paid.

*Current Status:*

The finding does not warrant further action. Management corrected the error and updated procedures to ensure proper recording in the future. (Resolved)

**SECOND WIND DREAMS, INC.**  
**SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**Section II – Financial Statement Findings (Continued)**

2018-004

*Criteria:*

Changes in inventory during the year must be processed through the income statement, whether through sale, purchase, disposal or transfer. Entries should not be run directly through equity.

*Condition:*

Changes to inventory were made via journal entries to inventory and equity.

*Cause:*

Inventory changes due to various reasons were not properly recorded through the cost of goods sold, sales revenue or internal transfer accounts. Certain amounts were recorded directly to equity.

*Effect:*

Equity and expense balances are understated by \$46,749.

*Recommendations:*

We recommend that no entries should be made to the equity account when recording changes in inventory. Inventory should be added via purchase or internal creation. Inventory should be removed via sale, internal usage or disposal. These entries should run through the proper income statement accounts.

*Current Status:*

The finding does not warrant further action. Management corrected the error and updated procedures to ensure proper recording in the future. (Resolved)

**SECOND WIND DREAMS, INC.  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

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**Section III - Findings and Questioned Costs for Federal Awards**

None