

SECOND WIND DREAMS, INC.

FINANCIAL REPORT

DECEMBER 31, 2018

SECOND WIND DREAMS, INC.

**FINANCIAL REPORT
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

**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 statement of financial position as of December 31, 2018, 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.

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 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 Second Wind Dreams, Inc. as of December 31, 2018, 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 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 17, 2020, 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 17, 2020

SECOND WIND DREAMS, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	599,490
Grants receivable		284,353
Accounts receivable, net of allowance of \$18,791		65,892
Inventories		49,018
Other assets		10,979
Total current assets		<u>1,009,732</u>

Total assets	\$	<u>1,009,732</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	31,372
Deferred rent		3,920
Total current liabilities		<u>35,292</u>

NONCURRENT LIABILITIES

Deferred rent		<u>38,682</u>
Total noncurrent liabilities		<u>38,682</u>

Total liabilities		<u>73,974</u>
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NET ASSETS

Without donor restrictions		<u>935,758</u>
Total net assets		<u>935,758</u>

Total liabilities and net assets	\$	<u>1,009,732</u>
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See Notes to Financial Statements.

SECOND WIND DREAMS, INC.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT			
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	<u>2,117,582</u>	<u>-</u>	<u>2,117,582</u>
EXPENSES			
Program services	1,769,179	-	1,769,179
Supporting services			
Management and general	168,122	-	168,122
Fundraising	106,099	-	106,099
Total expenses	<u>2,043,400</u>	<u>-</u>	<u>2,043,400</u>
Change in net assets	74,182	-	74,182
Net assets, beginning of year	<u>861,576</u>	<u>-</u>	<u>861,576</u>
Net assets, end of year	<u>\$ 935,758</u>	<u>\$ -</u>	<u>\$ 935,758</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
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 1,769,179	\$ 168,122	\$ 106,099	\$ 2,043,400

See Notes to Financial Statements.

SECOND WIND DREAMS, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING ACTIVITIES

Change in net assets	\$	74,182
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Grants receivable		(247,056)
Accounts receivable		106,370
Inventories		2,318
Other assets		(7,694)
Increase in:		
Accounts payable		17,982
Deferred rent		42,602
Net cash (used in) operating activities		<u>(11,296)</u>
(Decrease) in cash and cash equivalents		(11,296)
Cash and cash equivalents, beginning of year		<u>610,786</u>
Cash and cash equivalents, end of year	\$	<u><u>599,490</u></u>

See Notes to Financial Statements.

SECOND WIND DREAMS, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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 \$284,353 in grants receivable at December 31, 2018.

Accounts Receivable

Accounts receivable are shown less an allowance for uncollectible amounts. Sales are considered available for unrestricted use. There were \$65,892 in accounts receivable, net of allowance, at December 31, 2018.

Inventory

Inventory is made up of materials used for sale and use in the Virtual Dementia Tour program. Inventory is recorded at the estimated fair market value using an industry standard valuation.

NOTES TO FINANCIAL STATEMENTS

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

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 unrestricted 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 unrestricted 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 statement of activity 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 \$25,000 in donated legal services during the year ended December 31, 2018.

Contributions received are recorded as with or without donor restriction, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to without donor restriction net assets and reported in the statement of activities and changes in net assets, as net assets released from restrictions.

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.

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. Sales expenses, marketing and other expenses are 100% spent in the same functional category and are recorded as such.

NOTES TO FINANCIAL STATEMENTS

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

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.

Recent Accounting Pronouncements:

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which did not have an effect on total net assets or change in net assets for the year ended December 31, 2018.

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 \$358,715 at December 31, 2018. Management does not believe it is exposed to significant credit risk on cash and cash equivalents.

NOTE 3. LEASE COMMITMENTS

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

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 expires 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 and the monthly payment increased by 2.5% every 12 months. The new lease expires in December 2023.

The remaining cash commitments on the leases are as follows:

2019	\$	102,325
2020		91,368
2021		93,668
2022		96,025
2023		98,440
	<u>\$</u>	<u>481,826</u>

NOTES TO FINANCIAL STATEMENTS

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:

Cash and cash equivalents	\$	403,135
Accounts receivable, net of allowance		65,434
Grants receivable		284,353
Other assets		1,352
	<u>\$</u>	<u>754,274</u>

The Organization's grant restricted net assets include cash of \$196,355, which is not subject to general expenditure use. Other assets include \$9,627 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.

NOTE 5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2020, the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

SECOND WIND DREAMS, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

<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>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)					
<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	\$ 635,319
<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	\$ 353,569
<i>Passed through the Kentucky Office of the Inspector General Division of Health Care (DHC)</i>					
93.636	HHS - KY DHC	Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	1700000262	11/15/16 - 11/14/18	2,631
Total Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents					\$ 991,519
<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	8,221
Total Medical Assistance Program					\$ 8,221
TOTAL - U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)					\$ 999,740
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 999,740

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, 2018

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, 2018. 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***

**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, 2018, 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 17, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003 and 2018-004 that we consider to be material weaknesses.

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*.

Second Wind Dreams, Inc.'s Response to Findings

Second Wind Dreams, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Second Wind Dreams, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 17, 2020

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

**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, 2018. 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 the requirements of laws, regulations, contracts, and grants 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, 2018.

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 17, 2020

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

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>	<u> </u>
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	<u>None reported</u>
Noncompliance material to the financial statements noted?	<u> </u>	<u>X</u>

Federal Awards:

Internal controls over major programs:		
Material weaknesses identified?	<u> </u>	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	<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	93.636	
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	<u> </u>	<u>X</u>
Financial statement findings?	<u>X</u>	<u> </u>
Findings and questioned costs for Federal awards?	<u> </u>	<u>X</u>

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

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.

Views of Responsible Officials:

Management agrees with the recommendations and will review and strengthen controls over this area.

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

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.

Views of Responsible Officials:

Management agrees with the recommendations and will review and strengthen controls over this area.

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

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.

Views of Responsible Officials:

Management agrees with the recommendations and will review and strengthen controls over this area.

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

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.

Views of Responsible Officials:

Management agrees with the recommendations and will review and strengthen controls over this area.

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

Section III - Findings and Questioned Costs for Federal Awards

None