

**SOUTH FLORIDA STATE
COLLEGE FOUNDATION, INC.**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
South Florida State College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of South Florida State College Foundation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, 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 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.

Board of Directors (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Florida State College Foundation, Inc. as of December 31, 2019, 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

Report on Summarized Comparative Information

We have previously audited the South Florida State College Foundation, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2020, on our consideration of South Florida State College 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 solely 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 the effectiveness of South Florida State College Foundation's 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 South Florida State College Foundation's internal control over financial reporting and compliance.

Wicks, Brown, Williams & Co., CPA's LLP
Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

May 12, 2020

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018

ASSETS

	2019	2018
Assets:		
Cash and cash equivalents	\$ 786,867	\$ 618,469
Investments	1,433,374	795,597
Other investments	4,394	4,578
Accounts receivable	35,037	39,050
Prepaid expenses	51,991	50,631
Land, buildings, and equipment, net	957,184	1,003,438
Restricted assets:		
Cash and cash equivalents restricted for investment in endowment	596,070	642,512
Investments	12,334,026	10,358,716
Accounts receivable	100,050	50,599
Total Assets	\$ 16,298,993	\$ 13,563,590

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 158,076	\$ 101,889
Sales tax payable	185	121
Security deposits payable	16,650	18,700
Unearned revenue	3,150	5,600
Refundable advances	466,667	396,667
Total Liabilities	644,728	522,977
Net Assets:		
Without donor restrictions	2,624,121	2,063,508
With donor restrictions	13,030,144	10,977,105
Total Net Assets	15,654,265	13,040,613
Total Liabilities and Net Assets	\$ 16,298,993	\$ 13,563,590

The notes to the financial statements are an integral part of this statement.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total	2018
Support and Revenue:				
Public contributions and grants	\$ 522,283	\$ 789,705	\$ 1,311,988	\$ 789,596
Donated services	155,599	-	155,599	164,742
Rent	356,978	-	356,978	352,132
Miscellaneous	45	21	66	44
Investment income (loss)	315,157	1,935,953	2,251,110	(817,304)
Net assets released from restrictions:				
Restrictions satisfied by payments	672,640	(672,640)	-	-
Total Support and Revenue	2,022,702	2,053,039	4,075,741	489,210
Expenses and Loss:				
Program Services:				
Jacaranda Dorm	164,980	-	164,980	155,604
Property rentals	111,950	-	111,950	128,231
Take Stock in Children	150,294	-	150,294	202,275
Scholarships and grants	757,303	-	757,303	743,548
Total Program Expenses	1,184,527	-	1,184,527	1,229,658
Fundraising	96,172	-	96,172	88,704
Management and general	181,390	-	181,390	176,939
Total Expenses	1,462,089	-	1,462,089	1,495,301
Change in Net Assets	560,613	2,053,039	2,613,652	(1,006,091)
Net Assets at beginning of year	2,063,508	10,977,105	13,040,613	14,046,704
Net Assets at end of year	\$ 2,624,121	\$ 13,030,144	\$ 15,654,265	\$ 13,040,613

The notes to the financial statements are an integral part of this statement.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			
	Jacaranda Dorm	Property Rentals	Take Stock in Children	Scholarships and Grants
Freight and postage	\$ -	\$ -	\$ 114	\$ 121
Printing	-	-	46	471
Other services	50,775	-	110,138	15,905
Other services - custodial	15,000	15,000	-	-
Foundation membership	-	-	-	50
Education, office, department materials	27	910	604	5,104
Other materials and supplies	709	-	8	-
Food and food products	1,250	-	2,815	3,145
Travel	-	-	7,353	2,483
Professional fees	-	-	-	60,100
Bank service fees	-	-	106	4,959
Advertising	-	-	333	6,545
Scholarships and waivers	-	-	-	439,474
Grants to college	-	-	-	53,011
Grants to college employees	-	-	-	17,388
Telecommunications	-	6,000	-	-
Internet service	2,287	1,480	-	-
Repairs and maintenance	8,276	355	-	3,827
Utilities	38,789	38,789	-	-
Maintenance and construction material	1,260	8	-	517
Minor equipment	4,697	-	534	17,419
Other expenses	-	-	-	34,178
Service contracts	339	-	863	-
Insurance	23,131	34,696	-	-
Taxes	-	3,699	-	-
Administrative allowance	2,630	2,630	10,520	26,301
Contributed services	4,092	4,092	16,370	40,924
Depreciation	11,718	4,291	490	25,381
Total Functional Expenses	\$ 164,980	\$ 111,950	\$ 150,294	\$ 757,303

The notes to the financial statements are an integral part of this statement.

Supporting Services

Fundraising	Management and General	Total Expense	2018
\$ 413	\$ 1,025	\$ 1,673	\$ 3,236
1,856	6,771	9,144	10,275
10,960	39,968	227,746	176,407
-	-	30,000	31,336
-	-	50	-
1,488	2,700	10,833	10,164
491	99	1,307	2,323
16,526	3,663	27,399	26,435
10	3,803	13,649	13,696
125	15,263	75,488	79,382
-	267	5,332	15,475
-	2,734	9,612	3,809
-	-	439,474	552,346
-	1,175	54,186	35,369
-	225	17,613	945
-	-	6,000	6,000
-	-	3,767	3,590
-	-	12,458	28,872
-	-	77,578	77,010
-	-	1,785	475
-	-	22,650	1,236
-	500	34,678	30,250
-	14,196	15,398	15,214
-	890	58,717	57,237
-	-	3,699	3,223
24,736	33,183	100,000	100,000
38,489	51,632	155,599	164,742
1,078	3,296	46,254	46,254
<u>\$ 96,172</u>	<u>\$ 181,390</u>	<u>\$ 1,462,089</u>	<u>\$ 1,495,301</u>



SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019	2018
Cash Flows from Operating Activities:		
Cash received from contributors and grants	\$ 987,240	\$ 426,097
Cash received from property rental	356,978	346,202
Cash received from miscellaneous income	66	44
Cash received from interest and dividends	264,137	304,233
Cash payments to suppliers for goods and services	(347,712)	(423,956)
Cash payments for employee compensation and related expenses	(193,799)	(183,069)
Cash payments for scholarships and grants	(757,303)	(743,548)
Net Cash Provided (Used) by Operating Activities	309,607	(273,997)
Cash Flows from Investing Activities:		
Purchases of assets restricted for investment in endowment, net	-	(45,909)
Sales of assets restricted for investment in endowment, net	46,442	-
Purchase of securities	(7,733,661)	(1,384,270)
Sale of securities	7,199,150	1,221,777
Net Cash Used by Investing Activities	(488,069)	(208,402)
Cash Flows from Financing Activities:		
Collections of contributions permanently restricted	346,860	432,433
Net Cash Provided by Financing Activities	346,860	432,433
Net Increase (Decrease) in Cash	168,398	(49,966)
Cash and cash equivalents at beginning of year	618,469	668,435
Cash and cash equivalents at end of year	\$ 786,867	\$ 618,469
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
	2019	2018
Change in Net Assets	\$ 2,613,652	\$ (1,006,091)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	46,254	46,254
Permanently restricted contributions	(396,311)	(434,883)
Net realized/unrealized (gains) and losses on investments	(2,078,392)	1,040,205
Change in assets and liabilities:		
Decrease in accounts receivable	4,013	4,234
(Increase) Decrease in prepaid expenses	(1,360)	664
Increase in accounts payable	56,187	12,599
Increase in sales tax payable	64	1
Increase (Decrease) in security deposits payable	(2,050)	1,800
Decrease in unearned revenue	(2,450)	(8,780)
Increase in refundable advance	70,000	70,000
Net Cash Provided (Used) by Operating Activities	\$ 309,607	\$ (273,997)

The notes to the financial statements are an integral part of this statement.



SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2018

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF ORGANIZATION:

The South Florida State College Foundation, Inc. (the "Foundation") was established in 1984 as a Florida nonprofit corporation. The purpose of the Foundation is to assist South Florida State College (the "College") in the delivery of educational services to the citizens of Highlands, Hardee, and DeSoto counties. The Foundation is predominantly supported by public contributions, but also collects rent from the rental of dorm rooms and other property rentals.

SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting: The financial statements of the South Florida State College Foundation, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America, and accordingly are prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- **Without donor restrictions** – Net assets available for use in general operations and not subject to donor or grantor restrictions, including, if applicable, net assets that have been designated by the Board of Directors for expenditure on specific purposes or projects.
- **With donor restrictions** – Net assets subject to restrictions imposed by donors or grantors. Some donor-imposed restrictions are temporary in nature; such as those that will be met by the passage of time and/or actions of the Foundation. Other donor-imposed restrictions are perpetual in nature, where by the donor stipulates that resources be maintained in perpetuity. Generally, the Foundation is permitted to use or expend part or all of the income and gains derived from the donated assets, restricted only by the donors' wishes. Expirations of donor restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

The statement of activities presents the changes in net assets of the Foundation for the two fund types while demonstrating activity within various classifications of revenue and expenditures by program.

Cash and Cash Equivalents: Cash and cash equivalents include all unrestricted monies in banks and highly liquid investments with maturity dates of three months or less when purchased, including money market funds. Cash and cash equivalents restricted for long term purposes or received with donor imposed restrictions limiting their use to long term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2018

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Investments: The Foundation invests in various types of investment securities, which are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

The Foundation uses various valuation techniques in determining fair value. Accounting Standards Codification (ASC) Section 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about estimates utilized by market participants in pricing the asset or liability, based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- **Level 1** – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.
- **Level 2** – Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- **Level 3** – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Net realized and unrealized gains/losses are recorded as revenue or expense and included in the Statement of Activities as investment income. Investment expenses are included in the management and general line item on the Statement of Activities. Unrestricted and restricted assets are pooled together for investment purposes in order to maximize investment return.

Accounts Receivable: The Foundation has reported \$35,037 as accounts receivable as of December 31, 2019. The Foundation has reported \$100,050, as restricted accounts receivable as of December 31, 2019. All receivables are considered fully collectible.

Prepaid Expenses: Prepaid expenses consist of insurance payments that will benefit a future period.



SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2018

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and Equipment: The Foundation capitalizes expenditures in excess of \$25,000 for building improvements and \$5,000 for equipment with an estimated useful life of one year or more. Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Buildings and improvements.....	10 to 40 years
Equipment, furniture, and fixtures	5 to 10 years

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets “with donor restrictions” in the statement of activities. When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions support. Endowment returns are credited to the net assets with donor restrictions fund where they are available for expenditure in accordance with grantor provisions and the Foundation’s spending policy. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Advance payments on conditional promises to give are recorded as refundable advances in the statement of financial position until the conditions are met.

Endowment Management: *FASB Accounting Standards Codification 958-205, Endowments of Not-for-Profit Organizations*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). *FASB Accounting Standards Codification 958-205* also improves disclosures about an organization’s endowment fund (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Florida has signed into law the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA).

The Foundation is governed subject to the *Governing Documents for the Foundation*. The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation’s contributions are subject to the terms of the *Governing Documents*. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Under the terms of the *Governing Documents*, the Board of Directors has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine unless donor restricted. As a result of the ability to distribute corpus, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes. Net assets with donor restrictions represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.



SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2018

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Return Objectives and Risk Parameters. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include assets that are donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy approved by the Foundation Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the spending policy while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time to provide an average rate of return of approximately 6 - 8 percent annually. Actual returns in any given year may vary from this amount.

Spendable portions of endowments are recorded in the net assets without donor restrictions while the non-spendable portions of endowments are recorded in the net assets with donor restrictions funds. Spendable portions of endowments are invested and are subject to market risk. In the event that the market value of any endowment becomes less than its historic dollar value, spending is halted until such time as the market value exceeds the historic dollar value.

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 greater emphasis on equity-based investments 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 of appropriating for distribution each year 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Donated Services: Donated services are recognized as contributions in accordance with FASB *Accounting Standards Codification 958-605-25-16, Revenue Recognition – Contributed Services*. One of the following criteria must be satisfied in order to record donated services: the donated services must create or enhance nonfinancial assets of the Foundation, or the donated services must require specialized skills that the Foundation would otherwise need to purchase and be performed by individuals possessing those skills.

The Foundation recorded \$155,599 of donated services during the fiscal year for the value of payroll and benefit costs for the Foundation and accounting support staff paid for by the College.



SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2018

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Income Taxes: South Florida State College Foundation, Inc. is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and is other than a private foundation. In addition, the State of Florida has granted the Foundation tax-exempt corporate status.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Directly identifiable expenses are charged to program and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Certain categories of expenses are attributable to both program services and supporting services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is allocated on a square-footage basis, as well as administrative allowance and contributed services, which are allocated based on estimates of time and effort.

Subsequent Events: Subsequent events have been evaluated through May 12, 2020, the date on which the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS:

For the purposes of balance sheet classification, the cash and cash equivalents consist of the following:

	2019 <u>Unrestricted</u>	2019 <u>Restricted</u>	2019 <u>Total</u>	2018 <u>Total</u>
Cash and certificates of deposit	\$ 574,033	\$ 434,842	\$ 1,008,875	\$ 566,183
Money market funds and short term investments	212,834	161,228	374,062	694,798
Total	<u>\$ 786,867</u>	<u>\$ 596,070</u>	<u>\$ 1,382,937</u>	<u>\$ 1,260,981</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2018

NOTE 3 – INVESTMENTS:

The following schedule summarizes the investment income and its classification in the Statement of Activities for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 37,059	\$ 227,078	\$ 264,137
Net realized/unrealized gain	286,621	1,791,771	2,078,392
Investment management fees	<u>(8,523)</u>	<u>(82,896)</u>	<u>(91,419)</u>
Total investment income	<u>\$ 315,157</u>	<u>\$ 1,935,953</u>	<u>\$ 2,251,110</u>

The following schedule summarizes the investment income and its classification in the Statement of Activities for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 37,009	\$ 267,224	\$ 304,233
Net realized/unrealized loss	(137,465)	(902,740)	(1,040,205)
Investment management fees	<u>(6,610)</u>	<u>(74,722)</u>	<u>(81,332)</u>
Total investment loss	<u>\$ (107,066)</u>	<u>\$ (710,238)</u>	<u>\$ (817,304)</u>

The investments are grouped in the Statement of Financial Position as follows:

	<u>2019</u>	<u>2018</u>
Investments	\$ 1,433,374	\$ 795,597
Restricted investments	<u>12,334,026</u>	<u>10,358,716</u>
	<u>\$ 13,767,400</u>	<u>\$ 11,154,313</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2018

NOTE 3 – INVESTMENTS: (continued)

The Foundation's investments consist of the following at December 31, which are recorded at fair value, which is based on quoted prices in active markets:

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 374,062	\$ 694,798
Corporate bonds	2,445,569	1,294,802
Corporate bond funds	1,799,871	2,156,120
Common stocks	3,970,105	3,554,179
Domestic mutual funds	3,798,689	2,319,605
International mutual funds	<u>1,753,166</u>	<u>1,829,607</u>
	14,141,462	11,849,111
Money market funds, reclassified as cash and cash equivalents on Statement of Financial Position	<u>(374,062)</u>	<u>(694,798)</u>
Total Investments	<u>\$ 13,767,400</u>	<u>\$ 11,154,313</u>

The Foundation's other investments consist of the following at December 31:

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Total
Cash value of life insurance policy	\$ 4,394	\$ -	\$ 4,394	\$ 4,578

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and other payables approximate fair value because of the short maturity of those financial instruments.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
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NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS: (continued)

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and other payables approximate fair value because of the short maturity of those financial instruments.

The following investments are measured at fair value on a recurring basis based on the following input levels at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 2,445,569	\$ -	\$ -	\$ 2,445,569
Corporate bond funds	1,799,871	-	-	1,799,871
Common stocks	3,970,105	-	-	3,970,105
Domestic mutual funds	3,798,689	-	-	3,798,689
International mutual funds	1,753,166	-	-	1,753,166
Other investments	-	-	4,394	4,394
	<u>\$ 13,767,400</u>	<u>\$ -</u>	<u>\$ 4,394</u>	<u>\$ 13,771,794</u>

The following investments are measured at fair value on a recurring basis based on the following input levels at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 1,294,802	\$ -	\$ -	\$ 1,294,802
Corporate bond funds	2,156,120	-	-	2,156,120
Common stocks	3,554,179	-	-	3,554,179
Domestic mutual funds	2,319,605	-	-	2,319,605
International mutual funds	1,829,607	-	-	1,829,607
Other investments	-	-	4,578	4,578
	<u>\$ 11,154,313</u>	<u>\$ -</u>	<u>\$ 4,578</u>	<u>\$ 11,158,891</u>

Fair value of the Foundation's corporate bonds, common stocks, and mutual funds are valued at the last reported sale price on the last business day of the fiscal year. Quotations are obtained from the national security exchanges.

The change in the Foundation's level 3 assets for the year ended December 31, 2019, was a decrease of \$184, and is included in the investment income (loss) with donor restrictions on the Statement of Activities.

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SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
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NOTE 5 – ENDOWMENT ACTIVITY:

The Foundation's endowment assets are comprised solely of donor restricted contributions.

Endowment returns are credited to the net assets with donor restrictions fund in accordance with grantor restrictions. Expenditures for grantor purposes are made from the restricted portion of endowments.

The following summarized the changes in endowment assets for the year ended December 31, 2019:

Donor-restricted endowment net assets, beginning of year	\$ 9,111,449
Investment income	
Interest and dividends	188,348
Net realized/unrealized gains	1,487,206
Total investment gain	<u>1,675,554</u>
Contributions to perpetual endowment	396,311
Amounts appropriated for expenditure	<u>(342,745)</u>
Change in endowment net assets	<u>1,729,120</u>
Donor-restricted endowment net assets, end of year	<u><u>\$ 10,840,569</u></u>

The following summarizes the changes in endowment assets for the year ended December 31, 2018:

Donor-restricted endowment net assets, beginning of year	\$ 9,974,211
Investment income	
Interest and dividends	221,823
Net realized/unrealized losses	(752,123)
Total investment loss	<u>(530,300)</u>
Contributions to perpetual endowment	96,696
Amounts appropriated for expenditure	<u>(429,158)</u>
Change in endowment net assets	<u>(862,762)</u>
Donor-restricted endowment net assets, end of year	<u><u>\$ 9,111,449</u></u>

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NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT:

The following is a summary of land, buildings, and equipment at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 303,220	\$ 303,220
Buildings and improvements	1,247,202	1,247,202
Equipment, furniture, and fixtures	550,037	550,037
Total	<u>2,100,459</u>	<u>2,100,459</u>
Less: Accumulated depreciation	<u>(1,143,275)</u>	<u>(1,097,021)</u>
Land, buildings, and equipment - net	<u>\$ 957,184</u>	<u>\$ 1,003,438</u>

Depreciation expense for the years ended December 31, 2019 and 2018, amounted to \$46,254 and \$46,254, respectively.

NOTE 7 - REFUNDABLE ADVANCES:

During 2015, a local business pledged \$4.2 million to the Foundation in return for naming rights on the SFSC Theatre for Performing Arts, a building that is owned by the College, for a 30 year period. The pledge is payable beginning November 15, 2015, in 20 annual installments of \$210,000. Per the agreement, there is a "pro-rata refund clause". The Foundation considers this pledge a conditional pledge and will recognize contribution revenue as time restrictions expire. In years 1 through 20, the amount of pro-rata refund is \$70,000 times the actual number of annual payments made at the time of termination. In years 21 through 30, the amount of the pro-rata refund is \$140,000 times the number of years left under the agreement at the time of termination. At December 31, 2019, the total payments received on the pledge were \$1,050,000, of which \$583,333 has been recognized as revenue and \$466,667 is recorded as refundable advances on the Statement of Financial Position. During the year ended December 31, 2019, the Foundation recognized \$140,000 as unrestricted contribution revenue.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK:

The Foundation's primary checking account is held in a bank qualified as a public depository under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The Foundation at December 31, 2019 had no deposits that were not insured.

NOTE 9 - RELATED PARTY TRANSACTIONS:

South Florida State College:

The Foundation leases various properties to the College under an annual renewable lease. The College is responsible for maintenance at each location as well as insurance on property, materials, and supplies held at each location. The cost of utilities is shared between the Foundation and the College on a mutually agreed upon pro-rata basis. The details of the leasing arrangements between the Foundation and the College are disclosed in Note 10.



SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
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NOTE 9 - RELATED PARTY TRANSACTIONS: (continued)

The following is a summary of the amounts paid or reimbursed by the Foundation to the College during the fiscal year ended December 31:

	<u>2019</u>	<u>2018</u>
Scholarships and waivers	\$ 329,890	\$ 301,944
Grants to college	109,063	94,981
Utilities	83,577	78,174
Payroll and related expenses	88,986	72,607
General and administrative	<u>288,110</u>	<u>201,772</u>
Total	<u>\$ 899,626</u>	<u>\$ 749,478</u>

The Foundation's accounts payable balance at December 31, 2019 includes \$149,220 that is owed the College.

NOTE 10 – RENT INCOME / LEASE AGREEMENTS:

The Foundation owns various properties in Highlands County, Florida that it leases to the College and others. These lease agreements are renewable annually upon mutual consent of both parties and do not extend beyond one year.

The following is a schedule of properties leased to the College and others during the fiscal year ended December 31, 2019:

<u>Tenant</u>	<u>Property</u>	<u>Lease Income</u>	<u>Cost of Property</u>	<u>Accumulated Depreciation</u>
College	Hotel Jacaranda – Avon Park, FL	\$ 80,508		
Others	Hotel Jacaranda – Dorm rentals	240,053		
Others	Hotel Jacaranda – Other rentals	<u>26,037</u>		
	Subtotal - Hotel Jacaranda	346,598	\$ 1,481,202	\$ 593,091
College	Teacherage – Sebring, FL	<u>10,380</u>	35,500	16,900
		<u>\$ 356,978</u>		



SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
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NOTE 10 – RENT INCOME / LEASE AGREEMENTS: (continued)

The following is a schedule of properties leased to the College and others during the fiscal year ended December 31, 2018:

<u>Tenant</u>	<u>Property</u>	<u>Lease Income</u>	<u>Cost of Property</u>	<u>Accumulated Depreciation</u>
College	Hotel Jacaranda – Avon Park, FL	\$ 78,588		
Others	Hotel Jacaranda – Dorm rentals	239,109		
Others	Hotel Jacaranda – Other rentals	24,301		
	Subtotal - Hotel Jacaranda	<u>341,998</u>	\$ 1,481,202	\$ 562,561
College	Teacherage – Sebring, FL	<u>10,134</u>	35,500	16,250
		<u>\$ 352,132</u>		

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS:

As of December 31, net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Scholarship programs	\$ 6,400,039	\$ 4,600,503
Investment in perpetuity	<u>6,630,105</u>	<u>6,376,602</u>
Total net assets with donor restrictions	<u>\$ 13,030,144</u>	<u>\$ 10,977,105</u>

NOTE 12 – LIQUIDITY AND AVAILABILITY:

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 786,867	\$ 618,469
Investments	7,833,415	795,597
Accounts receivable	35,037	39,050
Prepaid expenses	<u>51,991</u>	<u>50,631</u>
	<u>\$ 8,707,310</u>	<u>\$ 1,503,747</u>

The Foundation's financial assets have been reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing in endowments.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
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NOTE 13 – STATE EXPENDITURES:

The Foundation is a discretely presented component unit of South Florida State College. South Florida State College is a component unit of the State of Florida. State expenditures of \$103,835 were spent under the Take Stock in Children Program (167-96445-7Q001).



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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 of
South Florida State College Foundation, 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 South Florida State College Foundation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statement 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 May 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Florida State College Foundation, 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 the South Florida State College Foundation, Inc.'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.


Board of Directors (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Florida State College Foundation, 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

This 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.


Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

May 12, 2020

