

# **Florida State College at Jacksonville Foundation, Inc. and Subsidiary**

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**Consolidated Financial Statements and  
Supplementary Information**

**Years Ended September 30, 2019 and 2018**

## Table of Contents

<b>Independent Auditors' Report</b> .....	1
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis.....	3
<b>Consolidated Financial Statements:</b>	
Consolidated Statements of Net Position.....	10
Consolidated Statements of Revenues, Expenses and Change in Net Position .....	11
Consolidated Statements of Cash Flows .....	12
Notes to Consolidated Financial Statements .....	13
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	25
<b>Supplemental Information:</b>	
Schedule of Findings and Questioned Costs .....	27
Response to Auditor's Findings.....	29



## **Independent Auditors' Report**

Board of Directors  
Florida State College at Jacksonville Foundation, Inc. and Subsidiary  
Jacksonville, Florida

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

We have audited the accompanying financial statements of the Florida State College at Jacksonville Foundation, Inc. and Subsidiary (the "Foundation"), a direct-support organization and component unit of the Florida State College at Jacksonville, which comprise of the consolidated statement of net position as of September 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in the *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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2019, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

***Prior Period Consolidated Financial Statements***

The consolidated financial statements of the Foundation as of September 30, 2018 were audited by other auditors whose report dated May 15, 2019, expressed an unmodified opinion on those statements.

***Other Matters***

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 9 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of consolidated financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
June 3, 2020**

## **Management’s Discussion and Analysis**

The Management’s Discussion and Analysis (“MD&A”) provides an overview of the financial position and activities of Florida State College at Jacksonville Foundation, Inc. and Subsidiary (the “Foundation”) for the years ended September 30, 2019 and 2018, and should be read in conjunction with the consolidated financial statements and related notes.

The Foundation is a direct-support organization and a component unit of Florida State College at Jacksonville (the “College”), a governmental agency. The Foundation’s mission is to secure financial resources for Florida State College at Jacksonville to provide students in need access to an affordable, quality education and to enhance the lives and the economic development of Northeast Florida.

The Foundation’s consolidated financial statements are presented on an accrual basis, which includes (1) assets and liabilities as current and noncurrent; (2) revenues and expenses as operating and non- operating; (3) the use of the direct method for the statement of cash flows; and (4) management’s discussion and analysis of the financial results.

The MD&A focuses on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying consolidated financial statements. It should be read in conjunction with the basic consolidated financial statements and accompanying notes.

Pursuant to *GASB Statement No. 35*, the Foundation’s financial report consists of these basic consolidated financial statements:

- Consolidated Statements of Net Position
- Consolidated Statements of Revenues, Expenses, and Changes in Net Position
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

### ***Financial Highlights***

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Contributions	\$ 936,219	\$ 931,102	\$ 1,640,883
Permanent endowments (included)	168,240	94,452	544,250
Scholarships	691,665	535,716	629,924
Artist Series – Net operating income	225,387	216,406	(143,853)
Patron contributions (included)	297,102	209,722	186,381
Unearned ticket revenue	8,070,046	2,896,560	1,810,176
Net appreciation in investments	2,261,364	3,874,411	5,683,435
Net investment income	513,502	551,054	447,045
Change in net position	1,691,212	3,452,527	4,930,824
Net position, end of year	56,584,566	54,893,354	51,440,827

## **Florida State College at Jacksonville Foundation Management's Discussion and Analysis**

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The \$8,070,046 in unearned ticket revenue for the Artist Series is a result of advance ticket sales for the upcoming 2020 season, which typically starts in November/December. These advance ticket sales speak to the high renewal rate of the Artist Series' annual subscribers and continued community interest in the various shows that are presented.

Cash contributions to the Foundation for the years ended September 30, 2019 and 2018, include major gifts from donors such as Florida Blue Foundation, the Weaver Foundation, the Chartrand Family Foundation, First Florida Credit Union, and The Players Championship.

State of Florida Grant Programs (Dr. Philip Benjamin Matching). At September 30, 2019 and 2018, the Foundation had \$10.5 million of state matching funds for eligible donations (which are temporarily suspended) that may be funded by the State at a future date.

First Generation Matching Grant Program provided additional scholarship funding. Approved by the Florida Legislature, the program provides state matching funds for unrestricted contributions received by the Foundation and dedicated for this purpose at the sole discretion of the Foundation. In fiscal year 2019, the Foundation received \$78,327 of private contributions and a 100% state match allotment on those funds. The primary purpose of the program is to provide scholarship opportunities to students who are first-generation college students in their family.

### ***Consolidated Statements of Net Position***

The purpose of the Consolidated Statements of Net Position is to present the Foundation's financial condition as of the end of the fiscal year. The Consolidated Statements of Net Position will enable the reader to determine the Foundation's ability to continue its operations, amounts owed to vendors and creditors, and the assets that are available to pay expenditures of the Foundation.

The following represents a condensed consolidated statements of net position and the changes in the Foundation's assets, liabilities and net position:

**Florida State College at Jacksonville Foundation  
Management's Discussion and Analysis**

***Condensed Consolidated Statements of Net Position***

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>FY 19-18 Change</u>	<u>FY 18-17 Change</u>
<b>Assets</b>					
Current	\$ 9,813,048	\$ 4,184,045	\$ 2,823,709	\$ 5,629,002	\$ 1,360,336
Noncurrent	<u>55,502,029</u>	<u>53,833,065</u>	<u>50,562,161</u>	<u>1,616,412</u>	<u>3,270,904</u>
Total assets	<u>\$ 65,315,077</u>	<u>\$ 58,017,110</u>	<u>\$ 53,385,870</u>	<u>\$ 7,245,414</u>	<u>\$ 4,631,240</u>
<b>Liabilities</b>					
Total liabilities	<u>\$ 8,730,511</u>	<u>\$ 3,123,756</u>	<u>\$ 1,945,043</u>	<u>\$ 5,809,372</u>	<u>\$ 1,178,713</u>
<b>Net Position</b>					
Restricted by donors	2,049,693	2,603,027	3,327,244	(2,603,027)	(724,217)
Permanent endowments	25,865,924	24,731,221	22,069,413	664,898	2,661,808
Unrestricted:					
Board appropriated	27,116,407	26,848,101	26,002,128	3,469,796	845,973
Unappropriated	<u>1,552,542</u>	<u>711,005</u>	<u>42,042</u>	<u>(95,625)</u>	<u>668,963</u>
Total net position	<u>56,584,566</u>	<u>54,893,354</u>	<u>51,440,827</u>	<u>1,436,042</u>	<u>3,452,527</u>
Total liabilities and net position	<u>\$ 65,315,077</u>	<u>\$ 58,017,110</u>	<u>\$ 53,385,870</u>	<u>\$ 7,245,414</u>	<u>\$ 4,631,240</u>

***Current assets***

The increase in current assets in the current fiscal year is largely due to accounts receivable due from the College of \$7,875,996 associated with unearned revenue from prepaid subscribers and advance ticket sales for the 2019 Artist Series season.

The increase in current assets in the prior fiscal year is largely due to accounts receivable due from the College of \$2,581,095 associated with unearned revenue from prepaid subscribers and advance ticket sales for the 2019 Artist Series season.

***Noncurrent assets***

The 3% increase in investments from \$53.6 million to \$54.7 million is due largely to an increase in the fair value of certain endowed assets during the year ended September 30, 2019, as was the 7% increase in investments from \$50.3 million to \$53.6 million is due largely to an increase in the fair value of certain endowed assets during the year ended September 30, 2018. A more detailed breakdown of the Foundation's investments may be found in Notes 3, 4, 5, and 6 which are an integral part of these consolidated financial statements.

***Liabilities***

Total liabilities from the 2018 period to 2019 period increased by 185%, from \$3.1 million to \$8.9 million. Total liabilities from the 2017 period to 2018 period increased by 61%, from \$1.9 million to \$3.1 million and can be ascribed to an increase in unearned ticket revenues associated with Artist Series' activities in both years.

***Net position***

Net position at September 30, 2019 totaled \$56.5 million, an increase of \$1.6/ million, or 3% from total net position of \$54.9 million as of September 30, 2018.

## **Florida State College at Jacksonville Foundation Management's Discussion and Analysis**

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Net position at September 30, 2018 totaled \$54.9 million, an increase of \$3.4 million, or 7% from total net position of \$51.4 million as of September 30, 2017. Net position consists of two categories as follows:

1) Restricted assets consist of the following:

- Restricted by donors - expendable represents amounts which are available for spending in accordance with the donor's specified criteria; and
- Quasi endowments - expendable represents assets restricted by the Foundation as matching funds for the Dr. Philip Benjamin Matching Grant Program and for the Foundation's operational needs; and
- Permanent endowments - nonexpendable represents the Foundation's restricted nonexpendable endowment funds which are required to be held in perpetuity.

2) Unrestricted assets represent amounts available to the Foundation for operational purposes in support of its mission.

### ***Consolidated Statements of Revenues, Expenses, and Changes in Net Position***

The purpose of the Consolidated Statements of Revenues, Expenses and Changes in Net Position is to provide the details of the operating and non-operating activities for the fiscal year. This includes the revenues displayed by major source, expenses, and gains and losses received or incurred by the Foundation.

The Consolidated Statements of Revenues, Expenses, and Changes in Net Position includes the following categories:

- Operating Revenues are revenues received from donor cash and noncash contributions, in-kind support from the College, grants and other program revenues.
- Operating Expenses represent expenses incurred for goods and services provided in return for the operating revenues to carry out the mission of the Foundation. Operating expenses include scholarships to College students, salaries and benefits, institutional and program support to the College, education programs, and management and general expenses supporting the Foundation operations, exclusive of Artist Series activities.
- Net Operating Income/(Loss) represents the amount of operating revenues in excess of the year's operating expenses and does not include non-operating revenue.
- Artist Series Activities represents revenues and expenses related to the Foundation's Artist Series events, shows and other activities.
- Non-operating Revenues represents amounts received from sources for which no services are provided by the Foundation, e.g., investment income from endowed and other investments.
- Additions to Endowments represent contributions received for permanent endowments.

The change in net position is the result of the fiscal year's excess (deficiency) of revenues over expenses.

**Florida State College at Jacksonville Foundation  
Management's Discussion and Analysis**

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In summary, the Foundation is structured as follows:

**Fund Development:** Solicitation of donors for endowed and non-endowed contributions for scholarships, programs, and other needs of the College.

**Foundation Support:** Financial accounting, investment administration and operations support for the Foundation. The allocation of funds and determination of scholarship allocations are also determined therein.

**Artist Series:** Production of Broadway shows and performing arts programs from which the Foundation receives the net operating income at the end of the Series season.

**Non-Operating Revenues (Expenses):** Amounts received from sources for which no services are provided by the Foundation, e.g., investment income from endowed and other investments.

**Additions to Endowments:** Contributions received for permanent endowments.

***Condensed Consolidated Statements of Revenue, Expenses and Changes in Net Position***

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>FY 19-18 Change</u>	<u>FY 18-17 Change</u>
<b>Fund Development</b>					
Revenues	\$ 840,385	\$ 1,081,370	\$ 1,560,107	\$ (240,985)	\$ (478,737)
Program services	(1,371,278)	(1,330,465)	(2,285,935)	(40,813)	955,470
Foundation support	<u>(946,388)</u>	<u>(991,701)</u>	<u>(874,225)</u>	<u>45,313</u>	<u>(117,476)</u>
Operating income (loss)	<u>(1,477,281)</u>	<u>(1,240,796)</u>	<u>(1,600,053)</u>	<u>(236,487)(5)</u>	<u>359,257</u>
<b>Artist Series</b>					
Revenues from shows	6,160,342	8,349,876	6,013,371	(2,189,534)	2,336,505
Expenses of shows	<u>(5,934,955)</u>	<u>(8,133,470)</u>	<u>(6,157,224)</u>	<u>2,198,515</u>	<u>(1,976,246)</u>
Net activities	<u>225,387</u>	<u>216,406</u>	<u>(143,853)</u>	<u>8,981</u>	<u>360,259</u>
Net Investment Income	<u>2,774,866</u>	<u>4,382,465</u>	<u>6,130,480</u>	<u>(1,607,599)</u>	<u>(1,748,015)</u>
Changes in net position	<u>1,522,970(2)</u>	<u>3,358,075</u>	<u>4,386,574</u>	<u>(1,835,105)</u>	<u>(1,028,499)</u>
Contribution to permanent endowments	<u>168,240</u>	<u>94,452</u>	<u>544,250</u>	<u>73,788</u>	<u>(449,798)</u>
Total net position	<u>\$ 56,584,566</u>	<u>\$ 54,893,354</u>	<u>\$ 51,440,827</u>	<u>\$ 1,691,210</u>	<u>\$ 3,452,527</u>

The Consolidated Statement of Revenues, Expenses and Changes in Net Position is presented as part of the basic consolidated financial statements. For the years ended September 30, 2019 and 2018, the Foundation's increase in net position before contributions to endowments were \$1.6 and \$3.4 million, respectively, primarily due to the increase in market values for investments.

## **Florida State College at Jacksonville Foundation Management's Discussion and Analysis**

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### ***Fund development***

For the years ended September 30, 2019 and 2018, the Foundation received major gifts from donors such as the Florida Blue Foundation, the Weaver Foundation, the Chartrand Family Foundation, First Florida Credit Union, and The Players Championship.

Beginning July 1, 2018, the Foundation assumed responsibility for one-half salary and benefit costs of the Foundation staff, and certain operational costs. In addition, beginning July 1, 2019, the Foundation assumed responsibility for all costs of the Foundation staff, and certain operational costs. For the years ended September 30, 2019 and 2018, the Foundation received in-kind support from the College in the amount of \$211,812 and \$443,448, respectively, in relation to salaries and benefits.

### ***Artist Series***

The Artist Series had \$8,070,046 in advanced ticket sales for the 2020 season, an increase of \$5,173,486 from the previous year end 2019 season.

The Artist Series had \$2,896,560 in advanced ticket sales for the 2019 season, an increase of \$1,086,384 from the previous year end 2018 season.

The Artist Series is a self-sustaining auxiliary service and, as such, receives no in-kind support from the College for any expenses, including the salaries and benefits of its staff. The net income of

\$225,387 for the year ended September 30, 2019, resulted in an amount due from the College which is remitted to the Foundation from the College's resources.

The Artist Series is a self-sustaining auxiliary service and, as such, receives no in-kind support from the College for any expenses, including the salaries and benefits of its staff. The net income of

\$216,406 for the year ended September 30, 2018, resulted in an amount due from the College which is remitted to the Foundation from the College's resources.

### ***Non-operating revenues and expenses***

#### **Year Ended September 30, 2019**

Non-operating Revenues/Expenses totaled a \$2.8 million net gain, which includes interest and dividend income of \$599,258. Investment gains of \$2.2 million are attributed primarily to market value appreciation in the Foundation's investment portfolio.

#### **Year Ended September 30, 2018**

Non-operating Revenues/Expenses totaled a \$4.4 million net gain, which includes interest and dividend income of \$644,342. Investment gains of \$3.9 million are attributed primarily to market value appreciation in the Foundation's investment portfolio.

### ***Additions to endowments***

#### **Year Ended September 30, 2019**

Permanent Endowments. The Foundation received \$168,240 in donor contributions to its permanent endowments. There were no state matching funds received in fiscal 2019.

#### **Year Ended September 30, 2018**

Permanent Endowments. The Foundation received \$94,452 in donor contributions to its permanent endowments. There were no state matching funds received in fiscal 2018.

## Florida State College at Jacksonville Foundation Management's Discussion and Analysis

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### ***Consolidated Statements of Cash Flows***

The Consolidated Statements of Cash Flows provides certain information about the Foundation's financial results by reporting the major sources and uses of cash and cash equivalents and indicates the cash provided by and used for operating, capital and related financing activities, and investing activities.

***Operating Activities*** include funds received from private donors, projects, grants and other sources, and Artist Series activities and payments made to employees, suppliers for goods and services, and the College for programs, institutional and facilities support for Foundation operations.

***Noncapital Financing Activities*** include funds received from donors for contributions to permanent endowments.

***Investing Activities*** represent funds used to purchase investments and funds received from proceeds of investment sales, interest and dividends, and distributions from private equity funds.

### ***Capital Assets***

The Foundation had no capital assets at September 30, 2019 or 2018.

### ***Economic Outlook***

The financial position of the Foundation is directly affected by certain economic conditions of Jacksonville's local economy. Through private and corporate contributions, as well as net operating revenues from Artist Series activities, the Foundation is expected to be able to directly support Florida State College at Jacksonville's efforts to continue providing scholarship support to students, the development of new programs to meet the ever-changing needs of employers and provide a leadership role in educational and community services for Duval and Nassau counties in northeast Florida.

Subsequent to the balance sheet date, the outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization. Although it is not possible to reliably estimate the length or severity of the pandemic, it could have an adverse financial impact and result in a delay in cash flow and other material adverse effects. The Foundation has estimated approximately 45% of advance Artist Series ticket sales collected by the College at September 30, 2019 will be returned (see Note 10).

### ***Requests for Information***

This financial report is designed to provide a general overview of the Foundation's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Cleve E. Warren, Executive Director  
Florida State College at Jacksonville Foundation, Inc.  
501 West State Street, Suite 104  
Jacksonville, Florida 32202

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Net Position**  
**September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,317,614	\$ 1,404,006
Pledges receivable, current	200,000	150,000
Due from Florida State College at Jacksonville	7,875,996	2,581,905
Prepaid expenses	419,438	48,134
Total current assets	<u>9,813,048</u>	<u>4,184,045</u>
Noncurrent assets:		
Pledges receivable long-term, net	146,892	175,481
Investments, fair value	55,266,674	53,572,049
Restricted cash, agency endowment	88,463	85,535
Total assets	<u>\$ 65,315,077</u>	<u>\$ 58,017,110</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Due to Florida State College at Jacksonville	\$ 572,001	\$ 141,661
Unearned revenues - Artist Series	8,070,047	2,896,560
Total current liabilities	<u>8,642,048</u>	<u>3,038,221</u>
Funds held as agency endowment	88,463	85,535
Total liabilities	<u>8,730,511</u>	<u>3,123,756</u>
Net Position:		
Restricted:		
Restricted by donors - expendable	2,049,693	2,603,027
Permanent endowments - nonexpendable	25,865,924	24,731,221
Unrestricted:		
Board appropriated	27,116,407	26,848,101
Unappropriated	1,552,542	711,005
Total net position	<u>56,584,566</u>	<u>54,893,354</u>
Total liabilities and net position	<u>\$ 65,315,077</u>	<u>\$ 58,017,110</u>

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Program and Fund Development Activities</b>		
<b>Operating revenues:</b>		
Contributions	\$ 520,877	\$ 626,928
In-kind support from Florida State College at Jacksonville	211,812	443,448
Noncash contributions	98,426	3,100
Other revenues	9,270	7,894
	<u>840,385</u>	<u>1,081,370</u>
<b>Operating expenses:</b>		
Program services:		
Scholarships	691,665	535,716
Intuitional and program support	679,613	794,749
	<u>1,371,278</u>	<u>1,330,465</u>
Supporting Services:		
Salaries and benefits	622,905	664,842
Management and general	323,483	326,859
	<u>2,317,666</u>	<u>2,322,166</u>
	<u>(1,477,281)</u>	<u>(1,240,796)</u>
<b>Artist Series</b>		
Revenues from performing arts events and shows	5,690,662	7,795,203
Other revenues from Artist Series	162,900	292,914
Contributions	297,102	209,722
Grants	9,678	52,037
Expenses of performing arts events	(4,987,515)	(7,221,672)
Salaries and benefits	(947,440)	(911,798)
	<u>225,387</u>	<u>216,406</u>
	<u>(1,251,894)</u>	<u>(1,024,390)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest and dividends, net of investment fees	513,502	551,054
Net appreciation in investment	2,261,364	3,874,411
Loss on sale of real estate	-	(43,000)
	<u>2,774,866</u>	<u>4,382,465</u>
Change in net position before contributions to endowments	1,522,972	3,358,075
Contributions to permanent endowments	168,240	94,452
Change in net position	1,691,212	3,452,527
Net position, beginning	54,893,354	51,440,827
Net position, ending	<u>\$ 56,584,566</u>	<u>\$ 54,893,354</u>

See independent auditors' report.

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Received from private donors	\$ 439,998	\$ 960,216
Received from projects, grants, and other sources	87,597	352,845
Received from performing arts productions	5,668,434	7,847,880
Payment received (from) in funds held as agency endowment, net	2,928	(1,933)
Payments to College for scholarships	(500,345)	(535,716)
Payments to employees and suppliers for goods and services	(6,350,944)	(8,575,975)
Payments to College for programs and facilities support	(679,613)	(794,749)
	<u>(1,331,945)</u>	<u>(747,432)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of investments	(2,157,205)	(6,973,849)
Proceeds from sale of investments	1,251,935	6,216,768
Distributions from private equity investments	1,472,009	1,270,657
Proceeds from sale of real estate	-	12,000
Interest and dividends received, net of investment fees	513,502	551,054
	<u>1,080,241</u>	<u>1,076,630</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Contributions to permanent endowment fund	168,240	94,452
	<u>168,240</u>	<u>94,452</u>
Net cash provided by financing activities		
Net (decrease) increase in cash and cash equivalents, including restricted	(83,464)	423,650
Cash and cash equivalents, including restricted beginning	<u>1,489,541</u>	<u>1,065,891</u>
Cash and cash equivalents, including restricted, ending	<u>\$ 1,406,077</u>	<u>\$ 1,489,541</u>
Reconciliation of operating loss to net cash flow from operating activities:		
Operating loss	\$ (1,251,894)	\$ (1,024,390)
Adjustment to reconcile operation loss to net cash flow from operating activities:		
Noncash contributions	-	(3,100)
Decrease in pledges receivable	(21,411)	123,566
Increase in amount due from College	(5,294,091)	(1,033,707)
Decrease in prepaid expenses	(371,304)	11,486
Increase in amount due to College	430,340	94,262
Increase in unearned revenues - Artist Series	5,173,487	1,086,384
(Decrease) increase in funds held as agency endowment	2,928	(1,933)
	<u>\$ (1,331,945)</u>	<u>\$ (747,432)</u>

## **Notes to the Consolidated Financial Statements**

### **1. Nature of Organization and Summary of Significant Accounting Policies**

The Florida State College at Jacksonville Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized as a direct-support organization, as defined in Section 1004.70 of the *Florida Statutes*, and a component unit of the Florida State College at Jacksonville (the "College"). The Foundation provides financial support for the benefit of the students and programs of the College.

Revenue and support are received primarily from individuals and businesses, most of whom are located in northeast Florida. The Foundation also derives financial resources from the FSCJ Artist Series (the "Artist Series") program which operates as a fundraising component of the Foundation and College. The Artist Series is a presenter of performing arts events and shows in northeast Florida and supports the College's performing arts efforts including the Scholarship Endowment Fund. The Fund supports performing arts students, as well as other students, attending Florida State College at Jacksonville.

The consolidated financial statements of the FSCJ Foundation Real Estate Holding, Inc. ("Subsidiary"), a not-for-profit Florida corporation, have been included with the consolidated financial statements of the Foundation as of September 30, 2018 as a blended component unit. The Real Estate Holding was formed exclusively to hold title to certain real property, collect income therefrom, and transfer its income to the Foundation in support of the Foundation's mission. On September 27, 2019, Subsidiary was dissolved. The governing body of Subsidiary was substantially the same as the governing body of the Foundation.

#### ***Basis of accounting***

The consolidated financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred. The Foundation follows pronouncements issued by the Governmental Accounting Standards Board (GASB). GASB establishes standards for external consolidated financial reporting which includes a consolidated statement of net position, a consolidated statement of revenues, expenses and changes in net position, and a consolidated statement of cash flows using the direct method. These pronouncements also include a requirement that management provide a discussion and analysis of the basic consolidated financial statements and the classification of net position into three components – net investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets:**  
Capital assets, net of accumulated depreciation, reduced by outstanding balances of any debt that is attributable to those assets (currently not applicable to the Foundation).
- **Restricted**  
Consists of assets that have externally imposed constraints placed upon their use, either by donors or through laws, regulations, or restrictions imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets as follows:
  - **Expendable** - net position that is subject to donor, grantor or other outside party restrictions as to use for the benefit of various programs at the College or Foundation, including the expendable portion of endowment funds;
  - **Nonexpendable** - net position representing the nonexpendable portion of endowment funds that are subject to donor, grantor or other outside party restrictions as to use for the benefit of various programs at the College or Foundation.

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**

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- **Unrestricted**

Net position that does not meet the definition of “restricted” or “net investment in capital assets”, and are available without restriction for carrying out the Foundation’s objectives. Unrestricted net position may also be appropriated for specific purposes by action of the Foundation’s Board of Directors.

***Cash and cash equivalents***

For purposes of the statement of cash flows, the Foundation considers all cash on hand, cash on deposit, and highly liquid investments with original maturities of three months or less to be cash and cash equivalents. At September 30, 2019 and 2018, unrestricted cash and cash equivalents included amounts on deposit with a commercial bank totaling \$588,442 and \$953,821 respectively, which are available for immediate withdrawal. Restricted cash and cash equivalents totaled \$1,326,641 and \$535,720 at September 30, 2019 and 2018, respectively, consisting of bank demand deposit accounts and a money market fund with Commonfund.

***Custodial credit risk - deposits***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation may not be able to recover its deposits. The Foundation periodically maintains public deposits in excess of the Federal Deposit Insurance Corporation. All such public deposits as defined by Chapter 280, Florida Statutes are placed in Qualified Public Depositories. The Foundation had \$912,721 and \$780,609 in excess of federally insured limits at September 30, 2019 and 2018, respectively. Management does not believe there is any significant credit risk relative to these deposits.

***Investments***

Investments are stated principally at fair value based on quoted market values. Private equity fund and other alternative investments are based on external valuation sources. Net realized and unrealized gains and losses are recognized in the accompanying consolidated statement of revenues, expenses, and changes in net position. Investments classified as noncurrent primarily represent the corpus of donor restricted contributions and amounts subject to other restrictions as well as investments not expected to be used during the Foundation’s next fiscal year. The Foundation’s intent is to hold its investments for the long term. However, the short-term operating needs of the Foundation may, at times, require the sale of a portion of these assets, subject to the approval of its investment committee.

***Unearned revenues - Artist Series***

Unearned revenues primarily represent tickets sold in advance for Artist Series events and shows occurring after the consolidated statement of net position reporting date.

***Contributions and pledges***

The Foundation recognizes unrestricted contributions, including unconditional promises to give, as assets and revenues in the period received at fair values. Contributions are considered unrestricted unless their use is specifically restricted by the donor. Gifts of cash and other assets are reported as restricted support if their use is restricted by any outside party.

The Foundation receives pledges of financial support from corporations and individuals. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*”, endowment pledges or other pledges restricted for use in future periods do not meet eligibility requirements, and are not recorded until the related gift is received.

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**

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***Donor-restricted endowments***

Investment income, including unrealized appreciation and depreciation, is allocated to the restricted expendable account on a pro rata basis based on the nonexpendable endowment balance. In accordance with state law, these funds are then available for expenditure, at 4% annually, when the specific donor criteria are met.

In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund reduce restricted expendable net position to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss reduces unrestricted net position.

If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net position.

After the fair value of the assets of the endowment fund equals the required level, gains that are restricted by the donor are classified as increases in restricted expendable net position or restricted nonexpendable net position, depending on the donor's restrictions.

***Operating income***

Operating revenues and expenses are those items resulting from providing services and producing and delivering goods and services. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Interest and dividends, net gains and losses on investments, and contributions received for endowments or from state matching funds are considered non-operating. When both restricted and unrestricted resources are available for use, the Foundation's policy is to use restricted resources first, then unrestricted resources as needed.

***In-kind contributions***

The College provides the Foundation with certain administrative and fiscal services, support personnel and staff, and office space at no cost. In addition, the College may incur expenses for the Artist Series performing arts events in excess of amounts reimbursed by the Foundation. Third parties, at times, may also contribute certain non-cash items for the benefit of the College. Such in-kind contributions are recorded at their estimated fair values both as revenues and expenses.

***Real estate and artwork***

Real estate and artwork are stated at cost on the date of purchase, or in the case of donated gifts, at their estimated fair value on the date of contribution. Changes in estimated fair value are recognized in the consolidated statement of changes in net position. Upon disposition, any related gain or loss is included in the change in net position.

***Advertising and promotion***

Advertising and promotion costs are primarily related to Artist Series shows and events. These costs are expensed as incurred. Advertising and promotion expense totaled \$61,467 and \$69,589 for the years ended September 30, 2019 and 2018.

***Income taxes***

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. As such, only unrelated business income is subject to income tax.

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**

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***Use of estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Reclassifications***

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. There has been no effect to reported revenues, expenses, changes in net position or cash flows.

***Subsequent events***

The Foundation has evaluated the effect subsequent events would have on the consolidated financial statements through June 3, 2020, which is the date the consolidated financial statements were available to be issued.

Subsequent to the balance sheet date, the outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization. Although it is not possible to reliably estimate the length or severity of the pandemic, it could have an adverse financial impact and result in a delay in cash flow and other material adverse effects. The Foundation has estimated approximately 45% of advance Artist Series ticket sales collected by the College at September 30, 2019 will be returned (see Note 10).

**2. Pledges Receivable**

Pledges receivable are presented in the accompanying consolidated statements of financial position as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 200,000	\$ 100,000
Receivable in one to five years	<u>150,000</u>	<u>250,000</u>
	350,000	350,000
Discount to present value	<u>(3,108)</u>	<u>(24,519)</u>
Pledges receivable, net	<u>\$ 346,892</u>	<u>\$ 325,481</u>

Pledges receivable are recorded at net realizable value in accordance with GASB 33. Pledges receivable for amounts due in greater than one year from the reporting date have been discounted at 1.59% and 6% at September 30, 2019 and 2018, respectively. No allowance for uncollectible pledges was considered necessary at September 30, 2019 and 2018.

Three donors represented all of total pledges receivable at September 30, 2019 and 2018.

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**

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**3. Investments**

The Foundation's investments are recorded at fair value and consist of corporate bonds, U.S. government bonds and agency securities, equity mutual funds, fixed income mutual funds, money market funds, and private equity funds. Real estate and artwork available for sale are recorded at estimated fair values.

The estimated fair values of investments are based on valuations provided by external investment managers and consist of the following:

	<u>2019</u>	<u>2018</u>
External pooled investment funds:		
Domestic equities	\$ 29,747,083	\$ 29,405,113
International equities	5,441,597	5,023,407
Real estate securities	3,317,977	2,850,578
Fixed income	7,970,967	7,460,945
Commodities	590,749	642,589
Money market	503,601	255,350
Private equity funds	7,671,025	7,910,392
Artwork	<u>23,675</u>	<u>23,675</u>
	<u>\$ 55,266,674</u>	<u>\$ 53,572,049</u>

The Foundation had subscribed to a total capital commitment in private equity funds of \$7,900,000. Additional subscriptions increased total capital commitments to \$10,900,000 and \$8,900,000 at September 30, 2019 and 2018 respectively. Cumulative capital calls totaled \$8,507,250 through September 30, 2019 (\$7,797,625 at September 30, 2018), leaving future capital commitments of \$2,392,750. Capital calls are due from time to time without notice in varying amounts. The Foundation generally expects to be able to meet its capital commitment obligations.

The Foundation's net investment income is summarized as follows:

	<u>2019</u>	<u>2018</u>
Net realized and unrealized gains	\$ 2,261,364	\$ 3,831,411
Interest and dividend income	599,258	644,342
Investment management fees	<u>(85,756)</u>	<u>(93,288)</u>
Net investment income	<u>\$ 2,774,866</u>	<u>\$ 4,382,465</u>

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**

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**4. Deposit and Investment Risk**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the following disclosures of credit and interest rate risk related to the Foundation's investment holdings that are invested in fixed-income funds as of September 30, 2019 and 2018:

	<b>2019</b>			
	<u>Fair Value</u>	<u>Weighted Average Life</u>	<u>Effective Duration</u>	<u>Average Credit Quality*</u>
Commonfund Intermediate Term Fund	\$ 2,260,667	2.3 years	1.4 years	AA
Commonfund Multi-Strategy Bond Fund	<u>5,710,300</u>	7.1 years	4.6 years	A-
Total fixed income securities	<u>\$ 7,970,967</u>			

  

	<b>2018</b>			
	<u>Fair Value</u>	<u>Average Life</u>	<u>Effective Duration</u>	<u>Credit Quality*</u>
Commonfund Intermediate Term Fund	\$ 2,221,546	2.4 years	1.9 years	AA-
Commonfund Multi-Strategy Bond Fund	<u>5,239,399</u>	7.2 years	4.9 years	AA-
Total fixed income securities	<u>\$ 7,460,945</u>			

***Interest rate risk***

The Foundation's investment policy does not specifically limit debt obligation maturities. However, as a means of managing the Foundation's exposure to fair value losses arising from changes in interest rates, the policy provides for diversifying fixed-income investments among maturities according to interest rate prospects.

***Credit risk***

The Foundation's investment policy provides that no more than 15% of the corporate debt securities in the fixed-income portfolio may be rated below investment-grade.

***Custodial credit risk***

The Foundation's investment policy does not address custodial credit risk.

***Concentration of credit risk***

The Foundation's investment policy provides that the maximum amount invested in the securities of a single issuer may not exceed 5% of total investments. Securities issued by the United States government and its agencies are not subject to this limitation.

## **5. Fair Value of Financial Assets**

The Foundation implemented GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"), effective July 1, 2015. GASB 72 establishes the accounting and financial reporting issues related to fair value measurements of investments. The Foundation's investments are reported at fair value, as defined under U.S. generally accepted accounting principles, which establishes a framework for measuring fair value and requires disclosures about fair value measurements. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Foundation has characterized its investments based on a three-level hierarchy to classify fair value measurements for disclosure purposes as follows:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management judgment and estimation. Such investment valuations are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Foundation uses the market approach valuation technique to value its investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs. Prices for certain cash equivalents and investment securities, such as U.S. government bonds and agency securities, fixed income and equity mutual funds, and corporate bonds, are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

There is little or no observable market data for the prices of, private equity funds and artwork that are held by the Foundation. As a result, the fair values of these investments are categorized as Level 3.

The following is a description of the valuation methodologies used for assets measured at fair value.

### ***Commingled external investment pools***

The Foundation's investments, including its endowments, in Commonfund are commingled external investment pools of assets in which investors own units of the fund, not the actual underlying securities in the fund. Each fund of the commingled investment pool allocates their assets among a select group of private investment funds. The funds pursue multiple strategies to diversify risks and reduce volatility. The Foundation records the fair value of its fund of the commingled funds' investments based on their proportionate share of the underlying fair value of the fund's net asset value as reported by the fund's investment manager. The Foundation's investments in the Commonfund external investment funds are categorized as Level 2 or 3 of the fair value hierarchy, dependent upon whether the inputs are observable or unobservable.

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**

***Private equity funds***

Certain of the Foundation's endowment investments with Commonfund are also made in external private equity funds. Private equity funds are typically structured as closed-end, commitment-based investment funds in which the entity commits a specified amount of capital upon the fund's inception. Such funds generally do not provide for redemption options for investors nor permit subscriptions by new or existing investors. Accordingly, the interests in such private equity funds do not have an active market and are classified as Level 3 of the fair value hierarchy.

***Artwork and real estate***

Artwork and real estate are valued at their fair value on the date of donation. Since there is no active market for these investments, they are classified as Level 3 of the fair value hierarchy.

The following summarizes the Foundation's investments carried by level within the valuation hierarchy:

	<b>2019</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income mutual funds	\$ -	\$ 7,970,967	\$ -	\$ 7,970,967
Equity mutual funds	-	29,747,083	-	29,747,083
International mutual funds	-	4,656,914	-	4,656,914
Real estate mutual funds	-	3,317,977	-	3,317,977
Commodity mutual funds	-	590,749	-	590,749
Emerging markets mutual funds	-	784,683	-	784,683
Money market	503,601	-	-	503,601
Private equity funds	-	-	7,671,025	7,671,025
Artwork	-	-	23,675	23,675
Total	<u>\$ 503,601</u>	<u>\$ 47,068,373</u>	<u>\$ 7,694,700</u>	<u>\$ 55,266,674</u>

  

	<b>2018</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income mutual funds	\$ -	\$ 7,460,945	\$ -	\$ 7,460,945
Equity mutual funds	-	29,405,113	-	29,405,113
International mutual funds	-	4,222,645	-	4,222,645
Real estate mutual funds	-	2,850,578	-	2,850,578
Commodity mutual funds	-	642,589	-	642,589
Emerging markets mutual funds	-	800,762	-	800,762
Money market	255,350	-	-	255,350
Private equity funds	-	-	7,910,392	7,910,392
Artwork	-	-	23,675	23,675
Total	<u>\$ 255,350</u>	<u>\$ 45,382,632</u>	<u>\$ 7,934,067</u>	<u>\$ 53,572,049</u>

The following is a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>2019</u>	<u>2018</u>
Fair value, beginning of period	\$ 7,934,067	\$ 7,305,237
Net realized and unrealized gains	523,017	1,096,487
Distributions	(1,472,009)	(1,270,657)
Purchases	<u>709,625</u>	<u>803,000</u>
Fair value, end of period	<u>\$ 7,694,700</u>	<u>\$ 7,934,067</u>

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**

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**6. Funds Held as Agency Endowment**

The Foundation holds certain funds as an agency endowment for the Prosperity Scholarship Fund, which provides scholarships to financially eligible students to attend college in northeast Florida. Scholarships to eligible students may be used at Florida State College at Jacksonville, University of North Florida, Jacksonville University, or Edward Waters College. Contributions to the Prosperity Scholarship Fund are permanently endowed and the investment earnings on the endowed account are used to fund the scholarships.

The Foundation recognizes an asset and liability which is measured at the fair value of the funds received from the donor. Distributions of cash for scholarships to specified third-party recipients are reported as decreases in the asset and related liability. Financial activity related to the fund is excluded from the Foundation's consolidated statements of revenues, expenses and changes in net position.

At September 30, 2019 and 2018, the balance in the Prosperity Scholarship Endowment account totaled \$88,463 and \$85,535, respectively, which is presented as a liability in the Foundation's statements of financial position. The following summarizes the fund's activity:

	<u>2019</u>	<u>2018</u>
Agency endowment fund balance, beginning of year	\$ 85,535	\$ 87,468
Contributions	6,208	6,181
Distributions to recipient colleges	<u>(3,280)</u>	<u>(8,114)</u>
Agency endowment fund balance, end of year	<u>\$ 88,463</u>	<u>\$ 85,535</u>

**7. State of Florida Matching of Private Contributions**

The Foundation receives certain private contributions that were eligible to be matched, either all or in part, by the state of Florida College System. These matching funds are authorized by the Dr. Philip Benjamin Matching Grant Program for Community Colleges (Florida Statute 1011.85). For the year ended September 30, 2019, the Foundation submitted a certified appropriations request in the amount of \$834,118. The cumulative private contributions received during the period from February 2, 2007 to February 1, 2018 are as follows:

	<u>Eligible Contributions Received</u>	<u>State Match Requested</u>
Matching program for support scholarships (F.S. 1011.85(5))	\$ 9,189,380	\$ 8,671,722
Matching program for program support (F.S. 1011.85(6))	<u>4,516,743</u>	<u>2,694,702</u>
	<u>\$ 13,706,123</u>	<u>\$ 11,366,424</u>

The Foundation's next appropriations request will be submitted upon request by the State.

Effective July 1, 2011, Senate Bill 2150 amended Florida Statute 1011.85 to temporarily suspend state matching funds for eligible donations received on or after June 30, 2011. As a result, the State of Florida Legislature did not appropriate funds for matching contributions for either of the years ended September 30, 2019 and 2018. Existing eligible donations remain eligible for future matching funds.

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**

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In addition to the above matching contributions, the state of Florida also appropriates certain nonrecurring general funds for scholarships to “first generation-in-college” students under the First Generation Matching Grant Program (FGMG). As of December 1, 2018 (for the year ended September 30, 2019), the Foundation had received \$78,327 of private contributions that were eligible for the FGMG match and had received 100% matching funds from the State of Florida by September 30, 2019.

## **8. Board Appropriated Unrestricted Net Position**

Board appropriated unrestricted net position are appropriated as follows:

	<u>2019</u>	<u>2018</u>
Quasi-endowments	\$ 13,410,284	\$ 14,134,326
Philip Benjamin Matching Grant Program	<u>13,706,123</u>	<u>12,713,775</u>
	<u>\$ 27,116,407</u>	<u>\$ 26,848,101</u>

## **9. Restricted Net Position**

Expendable restricted net position is restricted for scholarships or other similar purposes and totaled \$2,049,693 and \$2,603,027 at September 30, 2019 and 2018, respectively.

Nonexpendable restricted net position (endowments) is donor-directed contributions restricted in perpetuity for scholarships, program instruction, and other similar purposes. Nonexpendable restricted net position totaled \$25,865,924 and \$24,731,221 at September 30, 2019 and 2018, respectively.

The Board of, Trustees of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as nonexpendable restricted net position: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund, provide consistent long-term income returns and protect the Foundation against long-term inflation trends. 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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation limits spending on endowments to a maximum of 4% on endowed programs & scholarships spending and 1% for an administrative fee for a total of 5% annually of the most recent prior year- end endowment fund balances provided net earnings are available.

## **10. Related Party Transactions**

Certain individuals working on behalf of the Foundation are employees of and paid by the College. For the years ended September 30, 2019 and 2018, the College incurred personnel costs of \$178,865 and \$443,448, respectively, for those employees, which has been recorded as in-kind contributions to the Foundation. Additionally, the College incurs certain other expenses on behalf of the Foundation. Other in-kind expenses provided by the College were \$32,317 for the years ended September 30, 2019 and 2018.

Beginning July 1, 2017, the Foundation assumed responsibility for all travel, supplies, and the Foundation Executive Director's salary and benefits. In addition, beginning July 1, 2018, the Foundation assumed responsibility for one-half salary and benefit costs of the Foundation staff, and certain operational costs.

At September 30, 2019, amounts due to the College for certain Foundation personnel costs not provided in-kind totaled \$145,784. No amounts were due at September 30, 2018.

In connection with an arrangement between the College and Foundation, the College also employs certain employees whose services are related to the Artist Series performing arts activities on behalf of the Foundation. Other costs and expenses related to the Artist Series may also be incurred by the College. Artist Series personnel costs totaled \$947,440 and \$911,798 for the years ended September 30, 2019 and 2018, respectively. None of these expenses were provided in-kind by the College.

At September 30, 2019, amounts due from the College totaled \$7,875,996 (\$2,581,905 as of September 30, 2018), primarily related to Artist Series ticket sales for shows and events that occurred during the reporting period and advance ticket sales collected by the College for shows to be performed after the consolidated statement of net position date. At the end of the College's fiscal June 30 reporting period, an accounting of the Artist Series revenue and expense activities is prepared by the College, and any residual funds, net of Artist Series event expenses paid by the College, are remitted to the Foundation.

## **11. Re-designation of Prior Contributions**

In accordance with certain gift agreements, donors may have the option of having prior contributions returned, or for their restricted contributions to be used for another related purpose which would most nearly accomplish the donor's intentions. During the year ended September 30, 2018, \$100,000 was returned to a donor and \$137,100 was re-designated by a donor for use in the Foundation's daily operations. During the year ended September 30, 2019, \$3,000 was returned to a donor and no amount was re-designated.

## **12. Concentrations of Market, Credit and Currency Risks**

The Foundation's investments are subject to various risk factors including market, credit, and currency risk. Investments are made in the United States and internationally and thus have concentrations in such regions. The fund's investments are also subject to the risk associated with investing in private equity securities. The investments in private equity securities are generally illiquid, and there can be no assurance that the fund will be able to realize the value of such investments in a timely manner. The Foundation had approximately 14% and 15% of its total portfolio invested in private equity funds at September 30, 2019 and 2018, respectively.

The funds are invested, for purposes of capital appreciation, in various underlying funds that vary by size, industry and geographical concentration. Investment performance of an industry sector in which the funds have a concentration of investments may have a significant impact on the performance of the fund.

The Foundation's invested funds also participate in assets and securities of non-U.S. issuers. Investments of this type may be subject to significant price fluctuations and above-average risk related to certain factors not typically associated with investing in U.S. securities, including risks relating to currency exchange matters, differences between the U.S. and foreign securities markets, and certain other economic and political risks with respect to such securities.

### **13. Commitments and Contingencies**

#### ***Investment subscription agencies***

The Foundation is party to various subscription agreements with a private equity fund manager which provide for capital contributions as requested by the funds. At September 30, 2019, future funding commitments totaled \$2,392,750 (\$1,102,375 at September 30, 2018).

#### ***Grantor agencies***

At times, the Foundation may receive grants from various government agencies. Activities related to these grants are subject to audit by the regulatory funding authority. As a result, the Foundation may be contingently liable for reimbursement of funds received which may exceed reimbursable expenditures. The Foundation's management believes that the liability, if any, for any reimbursable amounts would not be material to the consolidated financial statements.

***Supplementary Information***

## **Independent Auditors' 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**

Board of Directors  
Florida State College at Jacksonville Foundation, Inc.  
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida State College at Jacksonville Foundation, Inc. (the "Foundation") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated June 3, 2020.

### ***Internal Control over Financial Reporting***

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

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

Our consideration of internal control was 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, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. Finding reference numbers are as follows: 2019-001, 2019-002, and 2019-003.

***Compliance and Other Matters***

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

***Foundation’s Response to Findings***

The Foundation’s response to finding identified in our audit is described in its accompanying letter. The Foundation’s response was not subjected to auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it

***Purpose of the 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
June 3, 2020**

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary  
Schedule of Findings**

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***Finding 2019-001: Reconciliation of Related Party Accounts***

*Condition:* We noted during the performance of our audit that related party transactions with Florida State College at Jacksonville (the "College") were not timely reconciled to the general ledger accounts.

*Criteria:* Internal controls should be in place to provide reasonable assurance that all transaction with the College are reconciled to the general ledge and that any discrepancies are timely investigated.

*Cause:* Procedures to ensure timely reconciliations of transactions and account balances with the College were not consistently followed.

*Effect:* Related party transaction with the College may be improperly excluded from consolidated financial statements.

*Recommendation:* We recommend that a thorough analysis of transactions with the College be performed to ensure all transactions are properly reconciled.

***Finding 2019-002: Timely Review of Interfund Balances***

*Condition:* We noted during the performance of our audit that the interfund accounts were not timely reconciled and did not net to a zero balance. The interfund accounts are utilized as a means to transfer certain amounts between individual funds. The activity within these accounts should net to a zero balance in the aggregate.

*Criteria:* Internal controls should be in place to provide reasonable assurance that interfund activity is properly reconciled to a net zero balance in the aggregate, and that any discrepancies are timely investigated.

*Cause:* Lack of review of the interfund account activity at year end.

*Effect:* Because of the failure to perform a reconciliation of the interfund accounts certain interfund accounts did not net to a zero balance with the offset being improperly debited or credited to the income statement.

*Recommendation:* We recommend that a thorough analysis of the interfund accounts be performed to ensure all interfund activity is properly reconciled and has a net zero balance in the aggregate.

**Florida State College at Jacksonville Foundation, Inc. and Subsidiary  
Schedule of Findings**

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***Finding 2019-003: Recording of Investment Activity***

*Condition:* We noted during the performance of our audit that the Foundation improperly reconciled the monthly investment activity to the accounting records.

*Criteria:* Internal controls should be in place to provide reasonable assurance that monthly investment activity from the broker statements are reconciled to the general ledger and that any discrepancies are timely investigated.

*Cause:* Procedures to ensure timely reconciliations of the investment account balances to the monthly broker statements and follow-up of discrepancies were not consistently followed.

*Effect:* Investment account balances as reported may be misstated.

*Recommendation:* We recommend that all investment accounts be reconciled to the monthly Commonfund investment statements and the accounting entry should be reviewed by someone independent of the process to ensure accuracy and completeness.

June 3, 2020

**Edward J. Salek CPA CVA | Partner**

Dixon Hughes Goodman LLP  
245 Riverside Avenue, Suite 410  
Jacksonville, Florida 32202

Dear Mr. Salek,

We have reviewed the results of the findings noted below and concur with the assessment of the issues identified. Management's response to each finding follows:

**Finding 2019-001: Reconciliation of Related Party Accounts**

Condition: We noted during the performance of our audit that related party transactions with Florida State College at Jacksonville (the "College") were not timely reconciled to the general ledger accounts.

***Management Response***

The Foundation agrees with the finding and will implement new policy & procedure to ensure the completeness and accuracy of transactions with Florida State College at Jacksonville (the "College").

**Finding 2019-002: Timely Review of Interfund Balances**

Condition: We noted during the performance of our audit that the interfund accounts were not timely reconciled and did not net to a zero balance. The interfund accounts are utilized as a means to transfer certain amounts between individual funds. The activity within these accounts should net to a zero balance in the aggregate.

***Management Response***

The Foundation agrees with the finding and will implement the necessary procedures to ensure that the appropriate personnel reconcile the interfund activity and that all interfund accounts net to a zero balance in the aggregate.

**Finding 2019-003: Recording of Investment Activity**

Condition: We noted during the performance of our audit that the Foundation improperly reconciled the monthly investment activity to the accounting records.

***Management Response***

The Foundation agrees with the findings and will implement the necessary procedures to ensure the completeness and accuracy of our records in accordance with GAAP.

If you require any further information, please contact me at (904) 357-8896

Sincerely,

*Cleve Warren*

Cleve Warren (Jun 4, 2020 21:25 EDT)

Cleve Warren

Executive Director, FSCJ foundation

Chief Investment Officer