

Broward College Foundation, Inc.

Financial Statements
and Additional Information
For the Years Ended December 31, 2020 and 2019

Broward College Foundation, Inc.

Table of Contents

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - For the Year Ended December 31, 2020	5
Statement of Functional Expenses - For the Year Ended December 31, 2019	6
Statements of Cash Flows	7
Notes to Financial Statements	8-22
Supplemental Information	
Schedule of Receipts, Expenditures and Fund Balances for Broward Futures Scholarship Fund	23
Internal Controls and Compliance	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Schedule of Findings and Management's Responses	26

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Members of the Audit Committee
Broward College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Broward College Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Broward College Foundation, Inc.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broward College Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Receipts, Expenditures and Fund Balances for Broward Futures Scholarship Fund on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021, 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 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 the 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 the Foundation’s internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 25, 2021

FINANCIAL STATEMENTS

**Keefe
McCullough**
CPA's + Trusted Advisors

Broward College Foundation, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 3,079,178	\$ 3,045,717
Accounts receivable	123,230	177,962
Promises to give, net	1,623,549	2,853,950
Prepays	33,831	11,785
Investments	<u>89,722,610</u>	<u>81,452,301</u>
Total assets	<u>\$ 94,582,398</u>	<u>\$ 87,541,715</u>
Liabilities:		
Accounts payable and other liabilities	\$ 1,670,433	\$ 421,003
Program support, awards, and grants payable	250	11,982
Deferred revenue and refundable advances	<u>495,570</u>	<u>-</u>
Total liabilities	<u>2,166,253</u>	<u>432,985</u>
Net Assets:		
Without donor restrictions:		
Undesignated	7,944,467	5,455,845
Designated by the Board for operating reserves	1,910,339	2,446,871
Designated by the Board for programs and scholarships	<u>4,485,590</u>	<u>4,163,074</u>
	<u>14,340,396</u>	<u>12,065,790</u>
With donor restrictions:		
Perpetual in nature	42,884,085	41,692,955
Purpose and time restrictions	<u>35,191,664</u>	<u>33,349,985</u>
	<u>78,075,749</u>	<u>75,042,940</u>
Total net assets	<u>92,416,145</u>	<u>87,108,730</u>
Total liabilities and net assets	<u>\$ 94,582,398</u>	<u>\$ 87,541,715</u>

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

Broward College Foundation, Inc.
Statements of Activities
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions and bequests	\$ 62,174	\$ 2,548,358	\$ 2,610,532	\$ 56,218	\$ 9,158,128	\$ 9,214,346
Educational related revenue	-	451,291	451,291	-	1,771,697	1,771,697
Support from Broward College	1,142,388	-	1,142,388	1,085,985	-	1,085,985
Interest and dividends	265,100	874,155	1,139,255	319,905	1,186,277	1,506,182
Fundraising event revenue, net of expenses	1,270	-	1,270	281,818	-	281,818
Other revenues	24,356	24,515	48,871	9,661	97,913	107,574
Unrealized and realized gains (losses) on investments, net of fees	2,007,316	5,977,209	7,984,525	2,051,501	8,132,947	10,184,448
Net assets released from restrictions	7,142,094	(7,142,094)	-	8,506,846	(8,506,846)	-
Total support and revenues	10,644,698	2,733,434	13,378,132	12,311,934	11,840,116	24,152,050
Expenses:						
Program services	6,283,853	-	6,283,853	7,899,910	-	7,899,910
Supporting services:						
Management and general	922,520	-	922,520	954,163	-	954,163
Fundraising and development	1,163,719	-	1,163,719	812,248	-	812,248
Total supporting services	2,086,239	-	2,086,239	1,766,411	-	1,766,411
Total expenses	8,370,092	-	8,370,092	9,666,321	-	9,666,321
Loss (recovery) on uncollectible promises to give, net	-	(299,375)	(299,375)	-	2,322,000	2,322,000
Total expenses and loss (recovery)	8,370,092	(299,375)	8,070,717	9,666,321	2,322,000	11,988,321
Change in net assets	2,274,606	3,032,809	5,307,415	2,645,613	9,518,116	12,163,729
Net Assets, beginning of year	12,065,790	75,042,940	87,108,730	9,420,177	65,524,824	74,945,001
Net Assets, end of year	\$ 14,340,396	\$ 78,075,749	\$ 92,416,145	\$ 12,065,790	\$ 75,042,940	\$ 87,108,730

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

Broward College Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services			Supporting Services			Total 2020 Expenses	Total 2019 Expenses
	Academic and College Support	Scholarships	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services		
Scholarships	\$ -	\$ 3,498,110	\$ 3,498,110	\$ -	\$ -	\$ -	\$ 3,498,110	\$ 4,209,840
Salaries and other compensation	1,176,553	-	1,176,553	516,215	839,110	1,355,325	2,531,878	2,477,567
College facilities support	790,892	-	790,892	120	-	120	791,012	1,558,000
Professional fees	401,462	4,220	405,682	267,970	200,948	468,918	874,600	550,404
College equipment support	187,247	-	187,247	-	-	-	187,247	383,926
Investment management fees	72,536	73,817	146,353	22,074	-	22,074	168,427	232,437
Meals and entertainment	2,721	-	2,721	5,125	5,981	11,106	13,827	192,100
Supplies and materials	154,905	-	154,905	340	573	913	155,818	104,911
Office rent	-	-	-	19,632	80,472	100,104	100,104	97,188
Subscriptions and memberships	45,720	-	45,720	11,884	9,289	21,173	66,893	83,350
Software purchases and maintenance	-	-	-	87,490	-	87,490	87,490	53,383
Printing and postage	5,939	-	5,939	671	457	1,128	7,067	35,405
Other	3,546	-	3,546	5,526	4,041	9,567	13,113	29,177
Travel	-	-	-	656	2,168	2,824	2,824	13,821
Insurance	-	-	-	6,598	6,915	13,513	13,513	12,772
Conferences and workshops	12,538	-	12,538	293	13,765	14,058	26,596	7,982
Total expenses by function	2,854,059	3,576,147	6,430,206	944,594	1,163,719	2,108,313	8,538,519	10,042,263
Less expenses included with support and revenues on the statement of activities:								
Investment management fees	(72,536)	(73,817)	(146,353)	(22,074)	-	(22,074)	(168,427)	(232,437)
Fundraising event expenses	-	-	-	-	-	-	-	(143,505)
Total expenses included in the expenses section on the statement of activities	\$ 2,781,523	\$ 3,502,330	\$ 6,283,853	\$ 922,520	\$ 1,163,719	\$ 2,086,239	\$ 8,370,092	\$ 9,666,321

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

Broward College Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Supporting Services			Total 2019 Expenses
	Academic and College Support	Scholarships	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	
Scholarships	\$ -	\$ 4,209,840	\$ 4,209,840	\$ -	\$ -	\$ -	\$ 4,209,840
Salaries and other compensation	1,319,827	-	1,319,827	530,837	626,903	1,157,740	2,477,567
College facilities support	1,558,000	-	1,558,000	-	-	-	1,558,000
Professional fees	229,583	-	229,583	281,827	38,994	320,821	550,404
College equipment support	383,926	-	383,926	-	-	-	383,926
Investment management fees	36,999	156,345	193,344	18,917	20,176	39,093	232,437
Meals and entertainment	20,384	-	20,384	9,797	161,919	171,716	192,100
Supplies and materials	50,124	-	50,124	9,098	45,689	54,787	104,911
Office rent	12,311	-	12,311	37,478	47,399	84,877	97,188
Subscriptions and memberships	67,253	-	67,253	7,305	8,792	16,097	83,350
Software purchases and maintenance	-	-	-	53,092	291	53,383	53,383
Printing and postage	17,225	-	17,225	583	17,597	18,180	35,405
Other	13,717	-	13,717	10,365	5,095	15,460	29,177
Travel	11,825	-	11,825	-	1,996	1,996	13,821
Insurance	62	-	62	12,419	291	12,710	12,772
Conferences and workshops	5,833	-	5,833	1,362	787	2,149	7,982
Total expenses by function	3,727,069	4,366,185	8,093,254	973,080	975,929	1,949,009	10,042,263
Less expenses included with support and revenues on the statement of activities:							
Investment management fees	(36,999)	(156,345)	(193,344)	(18,917)	(20,176)	(39,093)	(232,437)
Fundraising event expenses	-	-	-	-	(143,505)	(143,505)	(143,505)
Total expenses included in the expenses section on the statement of activities	\$ 3,690,070	\$ 4,209,840	\$ 7,899,910	\$ 954,163	\$ 812,248	\$ 1,766,411	\$ 9,666,321

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

Broward College Foundation, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,307,415	\$ 12,163,729
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Loss (recovery) on uncollectible promises to give, net	(299,375)	2,322,000
Unrealized and realized (gains) losses on investments, net of fees	(7,984,525)	(10,184,448)
Contributions restricted for investment in permanent endowment	(894,128)	(1,486,648)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	54,732	65,110
Promises to give, net	1,529,776	(3,649,332)
Prepays	(22,046)	(5,093)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	1,249,430	(268,242)
Program support, awards, and grants payable	(11,732)	(17,672)
Deferred revenue and refundable advances	495,570	-
	<u>(574,883)</u>	<u>(1,060,596)</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Proceeds from sale of investments	10,064,302	9,430,360
Purchases of investments	<u>(10,350,086)</u>	<u>(7,833,406)</u>
Net cash provided by (used in) investing activities	<u>(285,784)</u>	<u>1,596,954</u>
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for investment in permanent endowment	<u>894,128</u>	<u>1,486,648</u>
Net cash provided by (used in) financing activities	<u>894,128</u>	<u>1,486,648</u>
Net increase (decrease) in cash and cash equivalents	33,461	2,023,006
Cash and Cash Equivalents, beginning of year	<u>3,045,717</u>	<u>1,022,711</u>
Cash and Cash Equivalents, end of year	<u>\$ 3,079,178</u>	<u>\$ 3,045,717</u>

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

Note 1 - Organization and Operations

Broward College Foundation, Inc. (the "Foundation") was incorporated on November 5, 1971 under the laws of the State of Florida as a nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and as a publicly supported charitable organization under Sections 509(a)(1) and 170(b)(1)(A)(vi).

The Foundation was organized to receive, hold, invest, and make expenditures for educational purposes, primarily scholarships, program support, endowed teaching chairs and capital facilities to Broward College (the "College").

The College offers professional certifications, two-year career degrees, two-year university-transfer degrees and four-year baccalaureate degrees in selected high demand fields.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and certain other programs and scholarships.
- *Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions include cash, cash equivalents, investments and promises to give.

Generally, contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

Cash and cash equivalents: Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents that the Foundation intends to use for long-term purposes are classified as investments in the accompanying statements of financial position.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue and revenue recognition: The Foundation recognizes support and other revenue when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Bequests are recorded when all requirements for the transfer of the assets to the Foundation have been met, appropriate court orders have been issued and the amount is determinable.

Investments: The Foundation records investment purchases at cost, or if donated, at estimated fair value on the date of donation. Thereafter, investments are reported at their estimated fair values in the statements of financial position.

In accordance with the policy of stating investments at estimated fair value, net unrealized appreciation or depreciation for the year is reflected in the accompanying statements of activities, net of external fees.

The Foundation evaluates its "spending rate" annually in light of total estimated long-term return from investments, fees, expenses, and the effects of inflation. The total return is considered to include interest, dividends, and realized and unrealized gains and losses. For 2020 and 2019, the spending rate from endowed funds was set at 4% of the three-year quarterly rolling average of the fair market value of the applicable funds with a budgeting lead of one year.

The Foundation pools its funds in order to obtain greater investment leverage and more efficient administration. The objective of investment management of all funds is to maximize the growth of the fund assets consistent with minimizing exposure to risks of permanent capital losses and attainment of the Foundation's desired level of spending. In general, it is the normal investment policy of the Foundation to invest initial principal contributions and subsequent additions to all pooled funds in equity, fixed income, real assets, and diversifying strategies based on an allocation determined by the Finance and Investment Committee of the Board of Directors, in accordance with the Foundation's formal investment policies. The allocation of income and gain or loss from pooled investments is calculated based on the ratio of the previous month's share of each fund's fair value to the total pooled investments.

Promises to give: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the assets. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management has determined the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

Charitable remainder trusts: Previously, the Foundation was designated as the trustee on certain irrevocable charitable remainder trusts. The trust agreements required the Foundation to make annual payments to the trust beneficiary based on stipulated payment rates of 8.00% and 8.50%, applied to the fair value of the trust assets, as determined annually. Upon the death of the beneficiary, the remaining trust assets were distributed by the Foundation as stipulated by the respective trust agreements during the year ended December 31, 2020.

Note 2 - Summary of Significant Accounting Policies (continued)

The Foundation records the assets held in these trusts at their estimated fair value. A corresponding liability is recorded to reflect the estimated present value of required lifetime payments to the named beneficiaries using discount rates commensurate with the risks involved, which were in existence at the date of the gifts. Valuations are calculated annually by management by updating life expectancy of the income beneficiary and investment values.

The difference between the estimated fair value of the assets received and the estimated liabilities under charitable remainder trusts is recognized as contribution revenue in the year the agreement is signed. In subsequent years, the liability for future payments to the beneficiaries is reduced by payments made to the beneficiaries and are adjusted to reflect changes in the estimated fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Joint costs of fundraising appeals: The Foundation utilized various pamphlets, brochures, and informational methods to inform the general public of their activities. These costs are charged to fundraising and development expenses.

In-kind contributions: The Foundation receives contributions of in-kind goods, services and facility usage from the College (Note 11). Contributed goods and facility usage are recorded at estimated fair value at the date of donation. Donated services are recorded at the respective estimated fair values of the services received.

Functional allocation of expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by functions. Expenses that can be directly identified with a program or supporting service are charged accordingly. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses, including salaries and other compensation, professional fees, supplies and materials, and others, are allocated on the basis of estimates of time and effort and other methods as determined by management.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It is at least reasonably possible that the significant estimates used will change within the next year.

Reclassifications: Certain accounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

Date of management's review: Subsequent events have been evaluated by management through June 25, 2021, which is the date the financial statements were issued.

Note 3 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date ending December 31, 2020, comprise the following:

Financial assets, at year-end	\$ <u>94,548,567</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	(50,231,640)
Subject to appropriation and satisfaction of donor restrictions	<u>(27,844,109)</u>
	<u>(78,075,749)</u>
Board designations:	
Amounts set aside for programs and scholarships	(4,485,590)
Amounts set aside for operating reserves	<u>(1,910,339)</u>
	<u>(6,395,929)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>10,076,889</u></u>

The Foundation endowment funds (Note 10) consist of donor-restricted endowments and funds designated to serve as endowments. Endowments are subject to an annual spending rate as approved by the Board of Directors. For 2021, the Board of Directors approved a spending rate of approximately 6.25%, including administrative fees, of approximately \$ 5,959,000.

Occasionally, the Board of Directors designates a portion of any operating surplus to its operating reserve which was approximately \$ 1,910,000 as of December 31, 2020. In addition, the Board of Directors has designated approximately \$ 4,486,000, as of December 31, 2020, of operating surplus to provide funds for endowment spending during years where, due to negative market fluctuations, the accumulated earnings on endowments are not sufficient to provide the desired spending allocation.

Note 4 - Credit Risk and Concentrations

Deposit concentration risk is managed by placing cash and cash equivalents deposits with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is believed by management to be limited due to adequate historical collection rates and because substantial portions of the outstanding amounts are due from donors, including private foundations, supportive of the Foundation’s mission. Investments are made by diversified investment managers whose performance is monitored by Foundation’s management, third-party consultants, and the Investment Committee of the Foundation.

Note 4 - Credit Risk and Concentrations (continued)

At December 31, 2020 and 2019, concentrations of credit risk related to cash and cash equivalents were as follows:

<u>Cash and cash equivalents</u>	<u>2020</u>		<u>2019</u>	
	<u>Financial Institution Balance</u>	<u>Carrying Value</u>	<u>Financial Institution Balance</u>	<u>Carrying Value</u>
Bank A	\$ 2,253,335	\$ 2,254,251	\$ 593,666	\$ 574,457
Bank B	824,905	824,927	-	-
Bank C	-	-	2,387,927	2,471,260
	<u>\$ 3,078,240</u>	<u>\$ 3,079,178</u>	<u>\$ 2,981,593</u>	<u>\$ 3,045,717</u>

As of December 31, 2020 and 2019, approximately 61% and 69%, respectively, of outstanding promises to give were due from one donor.

Note 5 - Investments

At December 31, 2020 and 2019, investments are as follows:

	<u>2020</u>	<u>2019</u>
International equities	\$ 27,551,644	\$ 26,041,174
Domestic equities	22,378,689	18,616,198
Partnership interests	23,104,508	17,850,388
Fixed income	10,198,024	10,605,979
Real assets	5,964,496	7,061,170
Money market funds/cash	525,249	1,277,392
Total investments	<u>\$ 89,722,610</u>	<u>\$ 81,452,301</u>

Investments in equities are carried at market value, as quoted on major stock exchanges. Investments in fixed income funds are valued at quoted prices as determined by the issuers and other quoted sources. Mutual funds and money market funds are carried at fair value, which are generally equal to quoted prices as of the last day of the fiscal year. The estimated fair value of certain alternative investments is based on valuations provided by the external investment managers. Values may be based on historical costs, appraisals, or other estimates that require varying degrees of judgment. While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance, and any remaining commitments, in each investment.

The Foundation invests in alternative investments in order to diversify risk in their portfolio and improve the overall performance consistency of the portfolio. These investments consist of hedge, real assets, and venture capital funds. Although risk may be present in these types of investments, the investment managers are required, according to the Foundation's investment policy, to make a reasonable effort to control risk. Risk is evaluated on a regular basis to ensure objectives are being met.

Note 5 - Investments (continued)

Fair value measurement: The Foundation previously adopted Statement of Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*. ASC No. 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Inputs broadly refer to the assumptions that market participants use to make valuation decisions. The inputs or methodology used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

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

Foundation investments at fair value, as of December 31, 2020 and 2019, on the statements of financial position are classified as follows:

Investments in:	Level 1	Level 2	Level 3	Investments Valued at NAV	Total 2020
International equities	\$ 22,704,198	\$ -	\$ -	\$ 4,847,446	\$ 27,551,644
Domestic equities	22,378,689	-	-	-	22,378,689
Partnership interests	-	-	-	23,104,508	23,104,508
Fixed income	10,198,024	-	-	-	10,198,024
Real assets	3,184,868	-	-	2,779,628	5,964,496
Money market funds/cash	525,249	-	-	-	525,249
	\$ 58,991,028	\$ -	\$ -	\$ 30,731,582	\$ 89,722,610

Broward College Foundation, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 5 - Investments (continued)

Investments in:	Level 1	Level 2	Level 3	Investments Valued at NAV	Total 2019
International equities	\$ 21,335,967	\$ -	\$ -	\$ 4,705,207	\$ 26,041,174
Domestic equities	18,616,198	-	-	-	18,616,198
Partnership interests	-	-	-	17,850,388	17,850,388
Fixed income	10,605,979	-	-	-	10,605,979
Real assets	3,462,831	-	-	3,598,339	7,061,170
Money market funds/cash	1,277,392	-	-	-	1,277,392
	\$ 55,298,367	\$ -	\$ -	\$ 26,153,934	\$ 81,452,301

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1, Level 2, and Level 3.

In accordance with Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures*, the following tables provide the required disclosures of certain alternative investments, separate legal and primary reporting entities, and that may not have a readily determinable fair value, using net asset value per share (NAV) for fair value investments:

Investments in:	December 31, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International equities (a)	\$ 4,847,446	\$ -	Daily	N/A
Partnership interests (b)	23,104,508	5,250,316	Semi-annually and no liquidity	95 days
Real assets (c)	2,779,628	-	Monthly	30 days
	\$ 30,731,582	\$ 5,250,316		

Investments in:	December 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International equities	\$ 4,705,207	\$ -	Daily	N/A
Partnership interests	17,850,388	3,684,408	Semi-annually and no liquidity	95 days
Real assets	3,598,339	-	Monthly	30 days
	\$ 26,153,934	\$ 3,684,408		

Note 5 - Investments (continued)

- (a) This category includes investments that pursue multiple strategies to achieve long-term appreciation by investing in domestic, international developed and emerging markets. Underlying assets are exchange traded equities.
- (b) This category includes hedged partnerships and private capital partnerships.
- Hedged partnerships include investments structured as limited partnerships with a broad range of strategies, including long/short equity, event driven, relative value, global macro, distressed securities and merger arbitrage.
- Private capital partnership funds pursue a broad range of securities across the spectrum of private equity, venture capital, leveraged buyouts, growth equity, special situations, private real estate, private credit and private natural resources. These funds are structured as limited partnerships with expected lives of 10-15 years.
- (c) This investment strategy is to achieve growth through current income and capital appreciation by investing in real assets markets which include oil, gas, commodities, metals and infrastructure. Underlying assets are exchange traded funds.

Note 6 - Promises to Give

Promises to give include unconditional promises to give from individuals, private foundations, and corporations, which are summarized below as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,223,079	\$ 2,397,428
Receivable in one to five years	387,362	2,260,325
Receivable in more than five years	<u>30,000</u>	<u>30,000</u>
Total unconditional pledges at face value	1,640,441	4,687,753
Less: allowance for doubtful accounts	-	(1,784,000)
Less: unamortized discount	<u>(16,892)</u>	<u>(49,803)</u>
	<u>\$ 1,623,549</u>	<u>\$ 2,853,950</u>

Promises to give are recorded at their net present value. The discount rates ranged from 0.75% to 3.00%.

Note 7 - Program Support, Awards, and Grants Payable

Program support, awards, and grants payable include unconditional promises to give for endowed teaching chairs, capital facility commitments and grants which are summarized below, as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Payable in less than one year	\$ <u>250</u>	\$ <u>11,982</u>

Note 8 - Income Taxes

The Foundation is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Foundation's financial statements. Accordingly, no provision for income taxes has been made.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 3,468,888	\$ 4,255,087
Academic and college support	2,533,016	2,689,190
Unconditional promises to give, net, that are restricted by donors and other receivables for:		
Scholarships	91,876	135,136
Academic and college support	<u>1,253,675</u>	<u>2,331,631</u>
	<u>7,347,455</u>	<u>9,411,044</u>
Subject to the passage of time:		
Assets held under split-interest agreements	-	297,426
Unconditional promises to give, net, that are not restricted by donors but which are unavailable for expenditure until due	<u>100</u>	<u>1,250</u>
	<u>100</u>	<u>298,676</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Scholarships	57,968,842	54,437,122
Academic and college support	12,365,939	10,332,203
Unconditional promises to give, net - permanently restricted:		
Scholarships	81,055	158,260
Academic and college support	<u>312,358</u>	<u>405,635</u>
	<u>70,728,194</u>	<u>65,333,220</u>
	<u>\$ 78,075,749</u>	<u>\$ 75,042,940</u>

Note 9 - Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows, for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Scholarships	\$ 2,524,820	\$ 1,303,569
Academic and college support	<u>2,359,429</u>	<u>3,179,209</u>
	<u>4,884,249</u>	<u>4,482,778</u>
Expiration of time restrictions:		
Collection of unrestricted promises to give	<u>1,250</u>	<u>-</u>
Restricted-purpose spending-rate distributions and appropriations:		
Scholarships	2,389,559	3,956,967
Academic and college support	<u>159,192</u>	<u>259,528</u>
	<u>2,548,751</u>	<u>4,216,495</u>
Changes in donor restrictions:		
Scholarships	(135,082)	(107,053)
Academic and college support	<u>(157,074)</u>	<u>(85,374)</u>
	<u>(292,156)</u>	<u>(192,427)</u>
	<u>\$ 7,142,094</u>	<u>\$ 8,506,846</u>

Note 10 - Endowments

The Foundation has approximately 300 endowed funds established for the support of the students, programs and faculty at the College. These endowments may include both donor restricted endowment funds and funds designated by the Foundation or College to function as endowments. As required by the generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Foundation has interpreted the State of Florida's Uniform Prudent Management of Institutional Funds Act (FUPMIFA), as requiring the Board of Directors to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment, management, and expenditures of endowment funds. The Foundation's spending policy is set with the goal of the preservation of the long-term purchasing power of the endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 10 - Endowments (continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2020 and 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Donor-restricted endowment funds:			
Original donor - restricted amount and amounts required to be held in perpetuity by donor	\$ -	\$ 42,884,085	\$ 42,884,085
Donor advised funds and accumulated earnings	<u>-</u>	<u>27,844,109</u>	<u>27,844,109</u>
Total endowment funds	<u>\$ -</u>	<u>\$ 70,728,194</u>	<u>\$ 70,728,194</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Donor-restricted endowment funds:			
Original donor - restricted amount and amounts required to be held in perpetuity by donor	\$ -	\$ 41,692,955	\$ 41,692,955
Donor advised funds and accumulated earnings	<u>-</u>	<u>23,640,265</u>	<u>23,640,265</u>
Total endowment funds	<u>\$ -</u>	<u>\$ 65,333,220</u>	<u>\$ 65,333,220</u>

Note 10 - Endowments (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020 and 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Endowments net assets, beginning of year	\$ -	\$ 65,333,220	\$ 65,333,220
Interest and dividend income	-	874,100	874,100
Net appreciation (depreciation) (realized and unrealized), net of fees	-	5,979,056	5,979,056
Total investment return, net	-	6,853,156	6,853,156
Contributions and other additions	-	895,357	895,357
Appropriated per spending policy	-	(2,548,751)	(2,548,751)
Uncollectible promises to give		(100,425)	(100,425)
Donor requested changes in restrictions	-	295,637	295,637
Total change in endowment funds	-	5,394,974	5,394,974
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 70,728,194</u>	<u>\$ 70,728,194</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Endowments net assets, beginning of year	\$ -	\$ 58,976,946	\$ 58,976,946
Interest and dividend income	-	1,176,396	1,176,396
Net appreciation (depreciation) (realized and unrealized), net of fees	-	8,024,480	8,024,480
Total investment return, net	-	9,200,876	9,200,876
Contributions and other additions	-	1,506,672	1,506,672
Appropriated per spending policy	-	(4,216,495)	(4,216,495)
Donor requested changes in restrictions	-	(134,779)	(134,779)
Total change in endowment funds	-	6,356,274	6,356,274
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 65,333,220</u>	<u>\$ 65,333,220</u>

Note 10 - Endowments (continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no underwater funds in 2020 or 2019.

Return objectives and risk parameters: The goal of the investment program for the endowment assets is to provide a total return equivalent to or greater than the endowment's financial requirements over its investment horizon. The endowment's financial requirements are the sum of the spending rate, the long-term inflation rate, an administrative fee and any growth factor, which the Foundation's Finance and Investment Committee may, from time to time, determine appropriate. The Foundation expects the endowment funds over time, to provide an average rate of return of approximately 7.50% annually as of December 31, 2020 and 2019.

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). Because the endowment funds of the Foundation are expected to endure into perpetuity, and because inflation is a key component in the performance objective, the long-term risk of not investing in securities offering real growth potential outweighs the short-term volatility risk. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve the long-term return objective within prudent risk constraints. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Alternative assets are used to mitigate the risk of traditional asset classes. Other asset classes, such as international equities, are included to provide diversification.

Spending policy and how the investment objectives relate to policy: The Foundation's spending policy focuses on protecting the corpus; the policy is a three-pronged approach to determining the endowment's spending distribution.

- (1) Hibernation - The endowment must generate earnings for one year before spending is distributed.
- (2) Spending limitations - Four percent (4%) of the three-year quarterly rolling average of the portfolio market value may be granted annually, provided there are sufficient funds in the respective earnings accounts.
- (3) Prohibition - The fund receives no spending distribution on endowments with a total balance less than the original gift's fair market value.

The Foundation charges various individual funds an administrative fee based on the three-year quarterly rolling average of the fair market value of the applicable funds. The administrative fee percentage at December 31, 2020 and 2019 was 2.25%. The administrative fees are calculated quarterly. Fees for the years ended December 31, 2020 and 2019 were approximately \$ 1,151,000 and \$ 1,175,000, respectively.

Note 11 - Related Party Transactions

The Foundation was organized to receive, hold, invest, and make expenditures to Broward College (Note 1). The following is a schedule of balances and in-kind transactions with the College as of and for the years ended December 31, 2020 and 2019, which are included in the supporting services expenses and support from Broward College:

	<u>College Support of Foundation</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other compensation	\$ 1,042,164	\$ 988,797
Other general and administrative expenses	<u>100,224</u>	<u>97,188</u>
Net support from Broward College	\$ <u><u>1,142,388</u></u>	\$ <u><u>1,085,985</u></u>

As of December 31, 2020 and 2019 there were payables due to the College of approximately \$ 1,634,000 and \$ 394,000, respectively.

For the years ended December 31, 2020 and 2019, the Foundation provided approximately \$ 4,476,000 and \$ 6,152,000, respectively, in support to the College including approximately \$ 3,498,000 and \$ 4,210,000, respectively, for scholarships or grants.

Note 12 - Broward Futures Scholarship Fund

The Broward Futures Scholarship Fund agreement supersedes and replaces the previous agreement entered into by Broward County, the Broward Sheriff's Office and the Foundation. The current agreement was updated in the fall of 2012 and was amended in the spring of 2016.

The purpose of the agreement is to establish an endowment fund to provide scholarships to qualified recipients through partnerships with local organizations to directly impact the high school drop-out rate, juvenile truancy, and crime by making it possible for at-risk Broward County students and their families to realize the dream of a college education and improve the quality of life in our community. The Broward Futures Scholarship Fund balances are broken out in the supplemental information and schedules on page 23.

Note 13 - Supplemental Cash Flow Information

Supplemental Disclosure of Other Cash Flow Information:

	<u>2020</u>	<u>2019</u>
Cash received during the year for - Interest and dividend income	\$ <u><u>1,139,255</u></u>	\$ <u><u>1,588,301</u></u>

Note 14 – Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant volatility and economic uncertainties. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Foundation's financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing. No adjustments have been made to the accompanying financial statements as a result of the current events.

Note 15 – Subsequent Events

Subsequent to year end, the Foundation received a \$ 30 million gift to expand access to education in the community.

SUPPLEMENTAL INFORMATION

Broward College Foundation, Inc.
Schedule of Receipts, Expenditures and
Fund Balances for Broward Futures Scholarship Fund
For the Years Ended December 31, 2020 and 2019

The Broward Futures Scholarship Fund participated in the Dr. Phillip Benjamin Matching Grant Program. The balances include private contributions and funds from the Dr. Phillip Benjamin Academic Improvement Trust Fund ("AITF") which are donor restricted. The following summarizes the fund balance and activity in the Broward Futures Scholarship Fund for the years ended December 31, 2020 and 2019:

	<u>With Donor Restrictions</u>
Balances, January 1, 2019	\$ 3,096,858
Investment activity	493,882
Less scholarship disbursements	(116,774)
Less management fees	<u>(74,152)</u>
Balances, December 31, 2019	3,399,814
Investment activity	280,505
Less scholarship disbursements	(73,156)
Less management fees	<u>(71,424)</u>
Balances, December 31, 2020	\$ <u><u>3,535,739</u></u>

INTERNAL CONTROLS AND COMPLIANCE

Keefe
McCullough
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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 and the Members of the Audit Committee
Broward 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 Broward College Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and management's responses as item 2020-01 that we consider to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and management's responses as item 2020-01.

In conjunction with our audit report, other matters were reported in a separate communication letter to those charged with governance.

The Foundation's Response to Findings

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and management's responses. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 25, 2021

Section I – Current Year – Findings

2020-01: Endowment Fund Policies

Condition and Criteria: Per Part III of the Foundation's Charitable Gift Acceptance Policy, the administrative operations of the Foundation are partially supported through a 2.25% administrative fee based on the three-year quarterly rolling average of each fund, assessed quarterly. During our testing we noted that the administrative fee was assessed on an annual basis, based on an estimate, and allocated to the funds at the beginning of 2020, in accordance with a proposed change to the Foundation's existing endowment fee policy.

Per the Investment section of the Foundation's Accounting Policies and Procedures Manual, the allocation of investment income (loss) is calculated based on the ratio of the previous month's share of each fund's fair value to the total pooled investments. During our testing of endowment funds, we noted that the monthly total pooled investments did not reconcile to the amount used as the basis for allocating investment income (loss).

Cause and Effect: Proposed changes to the Foundation's endowment fee policy were not reviewed and approved by the Foundation's Board of Directors, prior to implementation. As a result, administrative fees charged to funds were overstated by an aggregate amount of approximately \$87,000, with amounts allocated to certain individual funds in excess of the fees calculated using the approved policy.

The Foundation utilizes a manual process to calculate the pooled investments by fund from the total net assets by fund to allocate investment income (loss) to individual funds. The total pooled investments calculated on a monthly basis were not reconciled to the general ledger. Investment income (loss) allocated monthly to each individual fund on a monthly basis was overstated.

Recommendation: We recommend that the Foundation adhere to the approved fee policy and enhance its internal control structure to ensure that charges are based on its current policy. In addition, we recommend that the Foundation review and enhance its Endowment policies to clarify its position on the inclusion of investment consulting fees in its administrative fee.

We also recommend that the Foundation review its accounting policies and procedures for all key accounting processes and enhance its monitoring and review of manual calculations. In addition, we recommend that management consider enhancing its accounting software to minimize the need for manual calculations.

In addition, we recommend that the Foundation review duties within the accounting department to ensure there is proper cross-training of staff on critical responsibilities.

Management's Response: Management will review and revise the policies and procedures to ensure clarity on processes to staff and avoid any confusion. We are also reviewing the implementation of an allocation module from our current financial software systems to help in the allocation of all marketable securities, rather than going through the current manual process. This will help staff streamline the process and minimize the amount of errors. We are currently in the process of hiring additional staff to ensure compliance and provide additional internal controls.

Section II – Prior Year – Findings

There were no findings in the prior year.