

POLK STATE COLLEGE FOUNDATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Polk State College Foundation, Inc.
Winter Haven, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Polk State College Foundation, Inc. (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.

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.

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 12 to the financial statements, net assets were misclassified in the prior period and a prior period adjustment has been posted to restate beginning net assets. Our opinion was not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 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 result 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.



CliftonLarsonAllen LLP

Lakeland, Florida
August 31, 2021

**POLK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,501,499
Current Portion of Unconditional Promises to Give, Net	16,525
Current Portion of Beneficial Interests in Trusts	10,750
Current Portion of Notes Receivable, Net	58,099
Other Current Assets	17,313
Total Current Assets	2,604,186

Unconditional Promises to Give, Net of Current Portion	28,266
Investments	37,042,812
Bequests Receivable	300,000
Beneficial Interests in Trusts, Net of Current Portion	165,382
Notes Receivable, Net of Current Portion	88,958
Nondepreciable Capital Assets	32,782
	37,658,200

Total Assets	\$ 40,262,386
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 55,692
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NET ASSETS

Without Donor Restrictions	
Board Designated	1,170,127
Undesignated	140,873
Total Without Donor Restrictions	1,311,000

With Donor Restrictions	38,895,694
Total Net Assets	40,206,694

Total Liabilities and Net Assets	\$ 40,262,386
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See accompanying Notes to Financial Statements.

POLK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS (LOSSES) AND SUPPORT			
Private Contributions	\$ 1,001,632	\$ 52,599	\$ 1,054,231
In-Kind Contributions	869,520	-	869,520
Special Events, Net Direct Expenses of \$94,919	108,680	-	108,680
Interest and Dividends, Net	19,156	-	19,156
Net Realized and Unrealized Gain (Loss) on Investments	93,978	3,856,423	3,950,401
Change in Value of Beneficial Interests in Trusts	3,850	-	3,850
Other Revenue, Net	17,307	-	17,307
Net Assets Released from Restrictions	729,690	(729,690)	-
Total Revenues, Gains (Losses) and Support	<u>2,843,813</u>	<u>3,179,332</u>	<u>6,023,145</u>
EXPENSES			
Program	1,520,028	-	1,520,028
Management and General	555,349	-	555,349
Fundraising	475,823	-	475,823
Total Expenses	<u>2,551,200</u>	<u>-</u>	<u>2,551,200</u>
CHANGE IN NET ASSETS	292,613	3,179,332	3,471,945
Net Assets - Beginning of Year, As Previously Stated	1,672,121	35,062,628	36,734,749
Prior Period Adjustment	<u>(653,734)</u>	<u>653,734</u>	<u>-</u>
Net Assets - Beginning of Year, As Restated	<u>1,018,387</u>	<u>35,716,362</u>	<u>36,734,749</u>
NET ASSETS - END OF YEAR	<u>\$ 1,311,000</u>	<u>\$ 38,895,694</u>	<u>\$ 40,206,694</u>

See accompanying Notes to Financial Statements.

POLK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program	Supporting Services		Total
		Management and General	Fundraising	
Scholarships	\$ 1,028,010	\$ -	\$ -	\$ 1,028,010
Salaries and Benefits	221,328	225,431	315,648	762,407
Professional Services	73,890	180,951	108,082	362,923
Special Event Expenses	-	-	98,761	98,761
College Program Expense	67,767	-	-	67,767
Consulting Services	-	122,750	-	122,750
Supplies and Materials	13,331	1,518	-	14,849
Other Operating Expenses	35,905	1,388	1,401	38,694
Rent and Utilities	48,029	10,311	13,886	72,226
Travel, Meetings and Dinners	1,534	1,202	3,606	6,342
Equipment and Construction	21,074	2,529	26,129	49,732
Advertising	-	-	3,229	3,229
Dues, Licenses and Fees	9,160	9,269	-	18,429
Total Expenses	\$ 1,520,028	\$ 555,349	\$ 570,742	\$ 2,646,119
Less: Direct Special Event Expenses	-	-	94,919	94,919
Total Expenses Presented on the Statement of Activities	\$ 1,520,028	\$ 555,349	\$ 475,823	\$ 2,551,200

See accompanying Notes to Financial Statements.

**POLK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 3,471,945
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Decrease in Provision for Bad Debts	(2,874)
Net Realized and Unrealized Gain on Investments	(3,950,401)
Increase in Value of Beneficial Interests in Trusts	(3,850)
Contributions to be held in Perpetuity	(52,599)
Decrease in Operating Assets:	
Unconditional Promises to Give	47,878
Other Current Assets	1,234
Increase in Liabilities:	
Accounts Payable and Accrued Expenses	7,468
Net Cash Used by Operating Activities	(481,199)

CASH FLOWS FROM INVESTING ACTIVITIES

Notes Receivable Issued to Students	(28,112)
Notes Receivable Repayments	4,340
Purchases of Investments	(16,533,281)
Proceeds from Sale of Investments	17,541,815
Net Cash Provided by Investing Activities	984,762

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions to be held in Perpetuity	52,599
Net Cash Provided by Financing Activities	52,599

NET CHANGE IN CASH AND CASH EQUIVALENTS

556,162

Cash and Cash Equivalents - Beginning of Year

1,945,337

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,501,499

See accompanying Notes to Financial Statements.

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Polk State College Foundation, Inc. (the Foundation) was established in 1976 as a nonprofit, tax-exempt organization. The Foundation is a direct-support organization operating exclusively for the benefit of Polk State College (the College) and is considered a component unit of the College.

The Foundation's principal operating activity is soliciting contributions to provide financial support to the College. This financial support is accomplished by providing scholarships and loans to students, supporting the athletic program, providing funds for use in health related, technology, and other education programs, and subsidizing other college goals.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

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 an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenue, gains, other and expenses during the reporting period. Actual results could differ from those estimates.

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts. The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investment return consists of interest and dividend income and realized and unrealized gains or losses, less external investment expenses.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the dividend date.

Nondepreciable Capital Assets

Nondepreciable capital assets consist of artwork purchased or donated to the Foundation, and are capitalized and carried at cost if purchased or fair value on the date of the gift if donated.

Notes Receivable

Notes receivable represent student loans made under the Foundation's short-term loan program. Notes receivable are reported net of an allowance for uncollectible notes. The allowance for uncollectible notes is estimated for the current period using historical data in order to properly present notes receivable at their estimated realizable value.

Beneficial Interests in Trusts

Beneficial interests in assets held by third parties in charitable remainder annuity trusts are recorded as contributions with donor restrictions at fair value when received. Changes in the fair value of charitable remainder annuity trusts are determined using discounted estimated future cash flows and actuarial assumptions, and recorded as change in value of split interest agreements in the statement of activities. Upon death of the survivor recipient, the remainder interest of charitable remainder annuity trusts are released from restriction and reclassified to net assets without restrictions. There are no donor-imposed restrictions on the use of the funds.

Beneficial interests in assets held by third parties in perpetual trusts are recorded at fair value as contributions with donor restrictions when received. Fair value is determined using discounted future cash flows, with life expectancy estimated using Internal Revenue Service tables and a discount rate of 6.5%. Changes in the fair value of perpetual trusts are recorded as change in value of split interest agreements in the statement of activities. Distributions are recorded as contributions with donor restrictions, due to donor-imposed use restrictions.

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give

Unconditional promises to give are recorded when the promises to contribute are made. Unconditional promises to give which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Foundation provides an allowance for uncollectible pledges based on management's assessment of the collectability of specific unconditional promises to give and historical collection experience.

Bequests Receivable

Bequests receivable are recorded at fair value when the Foundation is notified in writing of the gift. The gifts are recorded in the statement of activities as private contributions with donor restrictions.

Revenue Recognition

The Foundation recognizes gifts or cash or other assets as increases in net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets. Contributions received with restrictions that are met in the same reporting period are reported as support without restrictions and an increase in net assets without restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished) net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

In-Kind Contributions

Contributions of donated assets and services are recorded at their estimated fair value at the date of receipt and are reflected as contributions in the accompanying statement of activities. Contributions of services are recognized only if such services create or enhance nonfinancial assets, would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills and would otherwise be purchased by the Foundation.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Foundation identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Foundation has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Fair Value of Financial Instruments

The Foundation reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring 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 unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, unconditional promises to give due in one year or less, notes receivable, accounts payable and accrued expenses.

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

The Foundation's Level 1 financial instruments consist of investments as identified in Note 3 and are valued based on quoted market prices.

The Foundation's Level 2 financial assets include amounts held under split interest agreements measured at fair value using actuarial tables and assumptions as further discussed above (Beneficial Interest in Trust). The Foundation has no Level 3 investments.

NOTE 2 LIQUIDITY AND AVAILABILITY

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

Cash and Cash Equivalents	\$	648,617
Unconditional Promises to Give		16,525
Notes Receivable		58,099
Total		<u>\$ 723,241</u>

The Foundation endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of investments and assets measured at fair value on a recurring basis consists of the following for the year ended December 31, 2020:

	<u>Total Market and Carrying Value</u>	<u>Quoted Prices In Active Markets for Identified Assets (Level One)</u>	<u>Significant Other Observable Inputs (Level Two)</u>
ASSETS			
Investment Securities at Fair Value:			
Mutual Stock Funds	\$ 23,396,723	\$ 23,396,723	\$ -
Mutual Allocation Funds	1,856,388	1,856,388	-
Mutual Bond Funds	8,053,536	8,053,536	-
Individual Bonds	3,736,165	3,736,165	-
Total Investment Securities at Fair Value	<u>37,042,812</u>	<u>37,042,812</u>	-
Beneficial Interest in Trust Assets	<u>176,132</u>	<u>-</u>	<u>176,132</u>
Total Assets	<u>\$ 37,218,944</u>	<u>\$ 37,042,812</u>	<u>\$ 176,132</u>

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due as follows at December 31, 2020:

Less than One Year	\$ 16,600
One to Five Years	<u>30,600</u>
Total	47,200
Less Discounts to Net Present Value (2.47%)	(1,801)
Allowance for Uncollectible Receivables	<u>(608)</u>
Net Unconditional Promises to Give	<u><u>\$ 44,791</u></u>

Current and noncurrent portions of unconditional promises to give are as follows at December 31, 2020:

Net Unconditional Promises to Give	\$ 44,791
Less Current Portion	<u>(16,525)</u>
Total	<u><u>\$ 28,266</u></u>

NOTE 5 NOTES RECEIVABLE

Notes receivable represent loans administered for students of Polk State College. The current amount due of approximately \$58,000 represents the estimated portion of loan payments receivable in less than one year from (1) students participating in the public safety program who are currently seeking degrees as employees of the local police and fire departments and (2) students who are expecting federal assistance within a few months and qualified for "bridging loans".

The noncurrent amount of notes receivable of approximately \$89,000 represents the estimated portion of loan payments due in more than one year from those students who are repaying loans or who are expected to repay loans at a future date, as well as the portion of the loans that have been made to students who are currently in the public safety program or who are working at the local police or fire department fulfilling the work requirement of the loans. The noncurrent amount of loans to students in the public safety program may be forgiven in the future if the recipient meets such criteria as graduation from the college and employment for a certain time at the local police or fire department.

Notes receivable are presented net of an allowance for doubtful accounts of approximately \$600.

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 SCHOLARSHIPS

The Foundation offers a variety of scholarship opportunities for students. Students may use their scholarships for tuition, fees, books or other items as stipulated by the donor. Funds not expended may remain in the student's account to be used in future academic terms, revert to the Foundation for awarding to another student or returned to the donor. As the scholarships are awarded and paid, they are recorded as scholarships within program expense on the statement of functional expenses and statement of activities. The expense recorded for scholarships for the year ended December 31, 2020 amounted to approximately \$1,028,000.

NOTE 7 RELATED PARTY TRANSACTIONS

For the year ended December 31, 2020, the Foundation received the following support totaling approximately \$868,000 from the College: salaries and related benefits for Foundation personnel paid by the College approximately \$707,000; rental value of approximately \$64,000 for use of the College's facilities; and other expenses consisting primarily of printing and supplies totaling approximately \$97,000. These amounts are included as in-kind contributions revenues, as expenses in program, management and general and fundraising in the statement of activities and as salaries and benefits, rent and utilities, other operating expenses, advertising, travel, meetings and dinners, supplies and material in the statement of functional expenses. Included in accounts payable and accrued expenses in the statement of financial position as of December 31, 2020, is approximately \$19,000 of amounts due to the College related to program expenses.

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2020:

Subject to Expenditure for Specific Purpose:	
Scholarships, Awards, Grants and Loans	\$ 185,370
Capital Projects	11,625
Invested in Capital Assets	32,782
Athletics/Clubs and Programs	<u>5,030,243</u>
Total	5,260,020
Subject to Passage of Time:	
Present Value of Future Interests in Trust	176,132
Bequests	300,000
Notes Receivable	147,056
Promises to Give That Are Not Restricted by Donors, But Which Are Unavailable for Expenditures Until Due	<u>44,791</u>
Total	667,979
Endowments:	
Not Subject to Spending Policy or Appropriation:	
Endowment Held in Perpetuity	<u>20,051,575</u>
Subject to Appropriation and Expenditure When A Specific Event Occurs:	
Restricted by Donors for:	
Scholarships, Awards, Grants and Loans	<u>12,916,120</u>
Total Endowments	<u>32,967,695</u>
Total Net Assets with Donor Restrictions	<u>\$ 38,895,694</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the year ended December 31, 2020:

Satisfaction of Purpose Restrictions:	
Scholarships, Awards, Grants and Loans	\$ 269,568
Academic Program Support	55,543
Athletics/Clubs and Foundation Managed Funds	<u>404,579</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 729,690</u>

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 ENDOWMENT

The Foundation has donor restricted endowment funds which consist of investments held in perpetuity with the income restricted for scholarships, teaching chair awards, capital projects, technology and equipment, and classroom materials supporting Polk State College academic programs. The principal is recorded as donor restricted in perpetuity which must be maintained permanently and not be used up, expended or otherwise exhausted. The earnings on the donor restricted endowment funds are recorded as donor restricted net assets until appropriated for expenditure by the board and spent for their intended purpose at which time they are released from restriction.

The Organization also maintains various board designated endowment funds to further its mission which are classified as without donor restrictions on the statement of financial position.

The Foundation's Board of Directors has interpreted relevant state law, which is Chapter 617.2104, Florida Statutes, the Florida Uniform Prudent Management of Institutional Funds Act (Florida UPMIFA), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted net assets (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.

In accordance with Florida UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- 1) The purposes of the Foundation
- 2) The intent of the donors of the endowment fund
- 3) The terms of the applicable instrument
- 4) The long-term and short-term needs of the Foundation carrying out its purposes
- 5) The general economic conditions
- 6) The possible effect of inflation or deflation
- 7) The other revenue sources of the Foundation
- 8) Perpetuation of the endowment

The objectives of the Foundation's investment policy are (1) to preserve the purchasing and spending power of the Foundation over the investment horizon with the emphasis placed on minimizing return volatility; and (2) to emphasize long-term growth of principal while avoiding excessive risk. Investment guidelines are established to provide a framework for a well-diversified investment portfolio. The endowment pool spending policy allows the withdrawal of up to 3% of the endowment value, with certain exclusions, for scholarships and 1.2% for general and administrative costs.

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, certain donor-restricted endowments funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation does not have any deficiencies as of December 31, 2020.

Endowment net asset composition by type for the year ended December 31, 2020, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board Designated Endowment Funds	\$ 1,170,127	\$ -	\$ 1,170,127
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	20,051,575	20,051,575
Accumulated Investment Gains	-	12,916,120	12,916,120
Total	<u>\$ 1,170,127</u>	<u>\$ 32,967,695</u>	<u>\$ 34,137,822</u>

Changes in the endowment net assets for the year ended December 31, 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets at December 31, 2019, As Previously Stated	\$ 1,573,323	\$ 30,669,791	\$ 32,243,114
Prior Period Adjustment	<u>(537,888)</u>	<u>(347,734)</u>	<u>(885,622)</u>
Endowment Net Assets at December 31, 2019, As Restated	1,035,435	30,322,057	31,357,492
Investment Returns, Net	156,102	3,347,237	3,503,339
Contributions	-	52,599	52,599
Expenditures on Investment Earnings	(21,410)	(728,556)	(749,966)
Transfers to Non-Endowment Funds	<u>-</u>	<u>(25,642)</u>	<u>(25,642)</u>
Endowment Net Assets at December 31, 2020	<u>\$ 1,170,127</u>	<u>\$ 32,967,695</u>	<u>\$ 34,137,822</u>

POLK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 CONCENTRATION OF CREDIT RISKS

Financial instruments which potentially expose the Foundation to concentrations of credit risk include cash balances in excess of federally insured deposit balances and investments. The Foundation places its cash and cash equivalents with high quality financial institutions and has not experienced any losses on such accounts. At December 31, 2020, insurance coverage amounted to \$250,000 per depositor at each financial institution. The Foundation maintains its cash accounts at financial institutions that may, at times, exceed the federally insured limits. At December 31, 2020, the Foundation had \$1,560,161 in excess of federally insured deposit limits. The Foundation has not experienced any losses in such accounts.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. At December 31, 2020, the stock component of the portfolio is invested across 24 mutual funds with the largest individual stock fund allocation comprising approximately 15% of the total portfolio. These funds invest in a variety of securities. When the individual holdings of the funds are aggregated, it is not expected that any one equity security makes up more than 1% of the overall portfolio.

Unconditional promises to give are from contributors in Polk County, Florida. An allowance for uncollectible contributions is provided based on management's evaluations of potential uncollectible unconditional promises to give at year-end, which considers the geographic concentration of contributors.

Notes receivable represent loans to students who are or were attending Polk State College or other schools of higher education. The majority of these students live in Polk County, Florida. These loans are uncollateralized, however, an allowance is provided in order to present these loans at their estimated realizable value.

NOTE 11 CONCENTRATION AND UNCERTAINTIES

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its future operations and financial results, including (program services). Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events continue to occur subsequent to year-end are still developing.

NOTE 12 PRIOR PERIOD ADJUSTMENT

During the current year, it was determined net assets were not properly classified between without donor restrictions and with donor restrictions. To correct this misclassification, beginning net assets have been restated.



**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
Polk State College Foundation, Inc.
Winter Haven, Florida

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 Polk State College Foundation, Inc. (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 August 31, 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Polk State College Foundation, Inc.’s Response to Finding

Polk State College Foundation, Inc.’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Polk State College Foundation, Inc.’s response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion.

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 result 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.



CliftonLarsonAllen LLP

Lakeland, Florida
August 31, 2021

**POLK STATE COLLEGE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020**

Material Weakness

2020-001: NET ASSET CLASSIFICATION

Condition: During our audit, we noted the net assets were not properly classified between with net assets with donor restrictions and net assets without donor restrictions.

Criteria: The net assets with donor restrictions and net assets without donor restrictions were not properly classified.

Effect: The net assets with donor restrictions and net assets without donor restrictions should be properly classified.

Cause: Internal controls over the review of net assets were not operating effectively.

Recommendation: We recommend management periodically review balances in net assets to ensure reported properly.

Corrective Action Plan: Management has established procedures to review individual funds each year to ensure funds are used in accordance with donor requirements and properly classified between without donor restrictions and with donor restrictions. Management asserts there were no funds that were not spent in accordance to the donor's intent. Management will review funds quarterly for activity, to ensure each fund is in balance and that the respective fund is classified properly for its restricted purpose.



INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Polk State College Foundation, Inc.
Winter Haven, Florida

We have examined the Polk State College Foundation, Inc.'s (the Foundation), compliance with Section 1011.85(4)(c), Florida Statutes, regarding the matching requirements for the First Generation Matching Grant, during the year ended December 31, 2020. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Foundation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Foundation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2020.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
August 31, 2021