

St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College

Financial Statements and Supplementary Information
March 31, 2020 and 2019

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RSM US LLP

Independent Auditor's Report

Board of Directors
St. Petersburg College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of St. Petersburg College Foundation, Inc. (Foundation), a component unit of St. Petersburg College, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Report on Comparative Information

The financial statements of the Foundation, as of and for the year ended March 31, 2019, were audited by other auditors, whose report, dated July 1, 2019, expressed an unmodified opinion on those statements. The comparative information presented herein as of and for the year ended March 31, 2019, is derived from those financial statements.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Foundation's basic financial statements. The schedule of collections is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of collections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

RSM US LLP

St. Petersburg, Florida
September 14, 2020

**St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College**

**Management's Discussion and Analysis (Unaudited)
March 31, 2020 and 2019**

The management of St. Petersburg College Foundation, Inc., (Foundation) presents the following management's discussion and analysis (MD&A) narrative overview and analysis of the financial activities of the Foundation for the year ended March 31, 2020, with comparative information for the years ended March 31, 2019 and 2018. The purpose of this discussion is to enable the reader to identify and understand the significant issues and changes in the financial condition of the Foundation. The information presented here should be read in conjunction with the accompanying audited financial statements and footnotes. The financial statements, footnotes, and this MD&A were prepared by management and are the responsibility of management.

Financial Highlights

Overview: In the year ended March 31, 2020, the world was coming to terms with the COVID-19 pandemic. By the end of our fiscal year, the College and Foundation had closed their doors, College classes were all moved online and employees were working from home. During calendar year 2019, the overall state of the economy had continued to improve, with stock market returns in the double digits. However, by the end of the Foundation's fourth quarter the investment portfolio posted a negative 10% return, net of fees, compared to 4% and 13.5% in the previous two years. Overall, the Foundation's net position, which represents the excess of total assets over liabilities, declined \$7.02 million or 9% to \$69.00 million as of March 31, 2020, primarily the result of the declines in the investment portfolio in response to the COVID-19 pandemic.

The Foundation's revenue in the form of donor contributions, support from the College and the administrative fees on investments totaled \$2.80 million during the year ended March 31, 2020, a 14% increase as compared to a 2% decrease in 2019. The Foundation supported campus needs during the year ended March 31, 2020, in the form of scholarships and grants, forums and events to the College in the amounts of \$2.17 million and \$1.34 million, respectively. This support of the College, combined with other operating expenses and donor contributions, resulted in an operating loss of \$1.58 million for the year ended March 31, 2020, as compared to an operating loss of \$2.25 million for the year ended March 31, 2019. Due to negative investment returns in the year ended March 31, 2020, the Foundation had nonoperating loss of \$7.11 million, compared to \$2.67 million in nonoperating income in the prior year. Other income, primarily in the form of changes to permanent endowments, totaled \$1.68 million for the year ended March 31, 2020, compared to \$2.54 million in the previous year ended March 31, 2019. This represented a 34% decrease in addition to permanent endowments, as compared to a 278% increase for the prior year ended March 31, 2019, primarily a result of several large estate gifts received in the prior year.

The Foundation expects fluctuations in contribution revenue, as well as investment results from year-to-year. Very significant contributions may be periodically received from donors as a result of relationships cultivated over many years. The timing of these contributions is not entirely predictable, and often will correlate with a campus initiative. Likewise, the Foundation manages the endowment portfolio with a long-term philosophy of capital appreciation; single year fluctuations are normal and expected.

Presentation: The Foundation presents its financial report in accordance with Governmental Accounting Standards Board Statement (GASB) No. 35, *Basic Financial Statements and Management's Discussion and Analysis—for Public Colleges and Universities* (GASB 35), which focuses the reader of the financial reports on an organization's overall financial condition and change in net position and cash flows taken as a whole.

St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College

Management's Discussion and Analysis (Unaudited)
March 31, 2020 and 2019

Condensed schedule of net position

	March 31, 2020			March 31, 2019			March 31, 2018
		Change			Change		
Assets:							
Current assets	\$ 30,107,409	\$ (8,785,105)	-23%	\$ 38,892,514	\$ (449,774)	-1%	\$ 39,342,288
Noncurrent assets	38,894,809	1,751,692	5%	37,143,117	3,392,232	10%	33,750,885
Total assets	<u>\$ 69,002,218</u>	<u>\$ (7,033,413)</u>	<u>-9%</u>	<u>\$ 76,035,631</u>	<u>\$ 2,942,458</u>	<u>4%</u>	<u>\$ 73,093,173</u>
Liabilities:							
Current liabilities	\$ -	\$ (14,750)	-100%	\$ 14,750	\$ (19,494)	-57%	\$ 34,244
Net position:							
Restricted:							
Expendable	33,007,009	(9,415,562)	-22%	42,422,571	57,807	0%	42,364,764
Nonexpendable	31,830,512	1,851,613	6%	29,978,899	2,520,999	9%	27,457,900
Unrestricted	4,164,697	545,286	15%	3,619,411	383,146	12%	3,236,265
Total net position	<u>69,002,218</u>	<u>(7,018,663)</u>	<u>-9%</u>	<u>76,020,881</u>	<u>2,961,952</u>	<u>4%</u>	<u>73,058,929</u>
Total liabilities and net position	<u>\$ 69,002,218</u>	<u>\$ (7,033,413)</u>	<u>-9%</u>	<u>\$ 76,035,631</u>	<u>\$ 2,942,458</u>	<u>4%</u>	<u>\$ 73,093,173</u>

The statements of net position include all assets and liabilities of the Foundation. Net position serves as a useful indicator of an organization's financial health over time. Particular aspects of the Foundation's financial operations negatively influenced the decrease in net position for the year ended March 31, 2020.

The condensed schedule of net position shows the assets, liabilities, and net position as of March 31, 2020, 2019, and 2018. Current assets of the Foundation consist primarily of cash and cash equivalents and investments. Current assets decreased \$8.79 million or 23% during 2020 and decreased \$449 thousand or 1% during 2019. A major component of this decrease is attributable to lower returns in the financial market, in particular the lower realized and unrealized gains on investments for the fiscal year ended March 31, 2020, as compared to the prior year.

Noncurrent assets consist primarily of due from St. Petersburg College, endowment investments, remainder interest in trusts and estates, and other assets held for sale. Noncurrent assets increased by \$1.75 million to \$38.90 million and increased 10% to \$37.14 million as of March 31, 2020 and 2019, respectively. This increase is due primarily to new endowment gifts received during the year.

Current liabilities decreased from \$14,750 in 2019 to \$0 in 2020 and decreased from \$34,244 in 2018 to \$14,750 in 2019. These changes are due to fluctuations in accounts payable. Total liabilities and net position decreased 9% or \$7.02 million for the year ended March 31, 2020, compared to a 4% increase or \$2.94 million for the year ended March 31, 2019. The decline in the current year is due significantly to the losses suffered in the investment portfolio's fourth quarter due to the effects of the COVID-19 pandemic.

St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College

Management's Discussion and Analysis (Unaudited)
March 31, 2020 and 2019

Condensed schedule of revenues, expenses and change in net position

	Year Ended March 31, 2020			Year Ended March 31, 2019			Year Ended March 31, 2018
		Change			Change		
Operating revenue and expenses:							
Contributions	\$ 2,795,128	\$ 347,997	14%	\$ 2,447,131	\$ (49,261)	-2%	\$ 2,496,392
Operating expenses	4,374,701	(325,157)	-7%	4,699,858	603,381	15%	4,096,477
Operating loss	(1,579,573)	673,154	-30%	(2,252,727)	(652,642)	41%	(1,600,085)
Nonoperating (loss) income	(7,114,130)	(9,784,224)	-366%	2,670,094	(5,460,766)	-67%	8,130,860
Changes to permanent endowments	1,675,040	(869,545)	-34%	2,544,585	1,871,871	278%	672,714
Change in net position	(7,018,663)	(9,980,615)	-337%	2,961,952	(4,241,537)	-59%	7,203,489
Net position, beginning of year	76,020,881	2,961,952	4%	73,058,929	7,203,489	11%	65,855,440
Net position, end of year	<u>\$ 69,002,218</u>	<u>\$ (7,018,663)</u>	-9%	<u>\$ 76,020,881</u>	<u>\$ 2,961,952</u>	4%	<u>\$ 73,058,929</u>

The statements of revenues, expenses and change in net position report revenues earned and expenses incurred during the year as either operating, nonoperating, or additions to permanent endowments. Incoming gifts to the Foundation and grants made to the College are reported as operating revenue and expenses, respectively, and investment results and other revenue are reported as nonoperating income or loss.

The condensed schedule of revenues, expenses and change in net position reflects operating and nonoperating revenue and expense and changes to permanent endowments for the years ended March 31, 2020, 2019 and 2018. The net operating loss was \$1.58 million for the year ended March 31, 2020, compared to \$2.25 million for the year ended March 31, 2019, and \$1.60 million for the year ended March 31, 2018.

During the year ended March 31, 2020, operating revenue included \$2.80 million in contributions, an increase of \$347,997 or 14% compared to the year ended March 31, 2019, which decreased \$49,261 or 2% from the year ended March 31, 2018. Contributions result from both long-term donor cultivation and specific appeals for immediate needs, and are not entirely predictable.

Operating expenses were \$4.37 million during the year ended March 31, 2020, a decrease of \$325,157 or 7% compared to the year ended March 31, 2019. A significant component of operating expenses is grants made by the Foundation to the College in response to requests for use of funds by the intended campus beneficiaries. These grants are made for purposes that comply with donor restrictions placed on contributions in support of many College programs and needs, including construction of new buildings, student aid, and faculty and general departmental support. The timing of grants to the College typically lags the timing of the incoming contribution revenue and endowed payouts. The lag can be a short-time period or over several years. A longer lag will occur if expendable gifts or endowed payout is purposefully accumulating to allow the benefiting campus to cover a cost that will require the use of several years of gifts or payouts. Changes in the amounts of grants made to the College annually occur in relation to College needs for use of the funds or the timing of expenditures made on capital projects funded by contributions. Due to these factors, and similar to fiscal years ended March 31, 2019 and 2018, in fiscal year ended March 31, 2020, scholarships and grants made to the College exceeded contribution revenue, resulting in operating losses in these years.

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Nonoperating (loss) income includes net investment income and net appreciation or depreciation of investments for unrestricted and restricted – expendable funds, as well as other income. Nonoperating loss for the year ended March 31, 2020 reflects a decrease of \$9.78 million or 366% less than the year ended March 31, 2019. This decrease is due primarily to the impact of COVID-19 on the financial markets in February and March 2020. Nonoperating income for the year ended March 31, 2019, reflects a decrease of \$5.46 million or 67% compared to the year ended March 31, 2018.

Endowed gifts and related earnings provided an additional \$1.67 million to the net position of the Foundation during the year ended March 31, 2020, compared to \$2.54 million during the year ended March 31, 2019. Increasing the gifts to and the value of the endowment is of significant importance to the Foundation. The size of the endowment relates directly with providing permanent resources for the benefit of the College and its students.

Factors impacting future periods: Factors that can significantly impact future periods always include the state of financial markets and the state of the overall economy. These factors affect the value of investments and can impact charitable giving. The Board of Directors continues to monitor the status of the economy, its direct impact on overall giving, and the investment pool.

St. Petersburg College is experiencing declines in support from the state of Florida. Accordingly, private support is an increasingly important component of revenue to the various campuses. The Foundation anticipates a higher rate of use of Foundation held funds in the future in the form of grants to the campuses as a result of decreased resources provided by the state.

Management is not aware of any factors within management's control that would have a significant impact on future periods.

Using the information in the financial report: The Foundation's financial statements are immediately following this discussion and analysis.

This annual report consists of a series of financial statements prepared in accordance with pronouncements issued by the GASB. These statements focus the reader of the financial reports on the Foundation's overall financial condition, and change in net position and cash flows, taken as a whole.

One of the most important questions asked about the Foundation's finances is whether the Foundation is better off or worse off as a result of the year's activities. The keys to understanding this question are the statements of net position; statements of revenues, expenses and change in net position; and the statements of cash flows. These statements present financial information in a form similar to that used by private sector companies. The Foundation's net position (the difference between assets and liabilities) is one indicator of the Foundation's financial health when considered in combination with other nonfinancial information.

The statements of net position report assets, liabilities, and net position as of March 31, 2020 and 2019. The balances are a reflection of activities that have occurred during the respective fiscal years and come from transactions between assets and liabilities or from transactions in the statements of revenues, expenses and change in net position. The balances are presented as either current or noncurrent in nature.

**St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College**

**Management's Discussion and Analysis (Unaudited)
March 31, 2020 and 2019**

The statements of revenues, expenses and change in net position present the results of operations for the years ended March 31, 2020 and 2019. Activities are reported as operating, nonoperating, or changes to permanent endowments. Non-endowed gifts are reported as operating revenue and investment results are reported as either nonoperating revenue or additions to permanent endowments. Both the statements of net position and the statements of revenues, expenses and change in net position are prepared using the accrual basis of accounting.

The remaining required statements are the statements of cash flows showing the sources and uses of funds; in essence, accounting for the change in cash and cash equivalents balances for the reporting period.

The notes to the financial statements provide additional information and more detail that is essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Questions concerning this report or requests for additional information should be addressed to Jesse Turtle, Executive Director, St. Petersburg College Foundation, Inc. PO Box 13489, St. Petersburg, Florida 33733.

St. Petersburg College Foundation, Inc.
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Statements of Net Position
March 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,770,781	\$ 838,652
Investments	28,336,628	38,053,862
Total current assets	30,107,409	38,892,514
Noncurrent assets:		
Due from St. Petersburg College	6,342,725	6,338,905
Remainder interest in trusts and estates	1,034,464	1,129,104
Endowment investments	31,489,971	29,638,358
Other assets held for sale	27,649	36,750
Total noncurrent assets	38,894,809	37,143,117
Total assets	\$ 69,002,218	\$ 76,035,631
Liabilities and Net Position		
Current liabilities:		
Accounts payable to related party	\$ -	\$ 14,750
Net position:		
Restricted:		
Expendable	33,007,009	42,422,571
Nonexpendable	31,830,512	29,978,899
Unrestricted	4,164,697	3,619,411
Total net position	69,002,218	76,020,881
Total liabilities and net position	\$ 69,002,218	\$ 76,035,631

See notes to financial statements.

St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College

Statements of Revenues, Expenses and Change in Net Position
Years Ended March 31, 2020 and 2019

	2020	2019
Operating revenue:		
Contributions	\$ 2,795,128	\$ 2,447,131
Operating expenses:		
Program services:		
Scholarships	2,174,592	2,326,247
Grants to St. Petersburg College	1,303,333	1,669,145
Forums and events	34,663	33,450
	<u>3,512,588</u>	<u>4,028,842</u>
Administrative:		
Personnel services	334,286	232,100
Other	99,622	71,791
	<u>433,908</u>	<u>303,891</u>
Fundraising:		
Personnel services	334,286	232,100
Development	38,434	55,609
Other	55,485	79,416
	<u>428,205</u>	<u>367,125</u>
Total operating expenses	<u>4,374,701</u>	<u>4,699,858</u>
Operating loss	<u>(1,579,573)</u>	<u>(2,252,727)</u>
Nonoperating (loss) income:		
Investment income, net of fees	772,238	599,923
Net change in investments	(7,845,597)	2,073,728
Change in value of remainder interest in trusts and estates	(54,640)	(3,557)
Other income	13,869	-
Total nonoperating (loss) income	<u>(7,114,130)</u>	<u>2,670,094</u>
Loss (income) before changes to permanent endowments	<u>(8,693,703)</u>	<u>417,367</u>
Changes to permanent endowments:		
Contributions	1,716,346	2,470,291
Investments income, net of fees	9,118	4,368
Net change in investments	(50,424)	69,926
Total changes to permanent endowments	<u>1,675,040</u>	<u>2,544,585</u>
Change in net position	<u>(7,018,663)</u>	<u>2,961,952</u>
Net position at beginning of year	<u>76,020,881</u>	<u>73,058,929</u>
Net position at end of year	<u>\$ 69,002,218</u>	<u>\$ 76,020,881</u>

See notes to financial statements.

St. Petersburg College Foundation, Inc.
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Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Gifts received from donors and grantors	\$ 1,543,598	\$ 1,385,406
Payments to vendors	(138,663)	(152,073)
Payments for scholarships	(2,174,592)	(2,326,113)
Payments for programs	(1,337,996)	(1,702,729)
Net cash used in operating activities	(2,107,653)	(2,795,509)
Cash flows from noncapital financing activities:		
Endowment contributions received	1,716,346	2,470,291
Other income	13,869	-
Net cash provided by noncapital financing activities	1,730,215	2,470,291
Cash flows from investing activities:		
Proceeds from sale of investments	1,604,018	2,149,510
Proceeds from sale of other assets held for sale	9,101	-
Purchase of investments	(303,552)	(2,377,703)
Net cash provided by (used in) investing activities	1,309,567	(228,193)
Net change in cash and cash equivalents	932,129	(553,411)
Cash and cash equivalents at beginning of year	838,652	1,392,063
Cash and cash equivalents at end of year	\$ 1,770,781	\$ 838,652
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,579,573)	\$ (2,252,727)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Foundation fee	(509,510)	(523,288)
Changes in assets and liabilities		
Due from St. Petersburg College	(3,820)	-
Accounts payable	(14,750)	(19,494)
Net cash used in operating activities	\$ (2,107,653)	\$ (2,795,509)

See notes to financial statements.

**St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College**

Notes to Financial Statements

Note 1. Organization

Nature of operations: St. Petersburg College Foundation, Inc. (Foundation) is a Florida nonprofit corporation. The Foundation was formed in September 1980 and is governed by a 15-member Board of Directors (Board). The primary purposes of the Foundation are to be a community advocate for St. Petersburg College (College) and to encourage charitable donations to provide financial support for the College and its students. As a public charity, the Foundation accepts donations to enhance the College's many and varied teaching and public service programs, as well as to support capital projects and other related College improvements.

Reporting entity: The College provides the resources necessary to cover the costs of the operation and administration of the Foundation's activities, including personnel, facilities and administration. The Foundation's primary expenditures are related to providing scholarships to students attending the College and grants made to the College in support of campus needs, in compliance with donor restrictions on gifts.

The Foundation is a direct support organization of the College and its financial statements are presented in the College's financial statements as a component unit.

Note 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in preparation of the accompanying financial statements is presented below:

Basis of accounting: The Foundation follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for governmental business-type activities. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred. As a general rule, the effects of interfund activities have been eliminated from the Foundation's financial statements.

Classification of current and noncurrent assets and liabilities: The Foundation considers assets to be current if, as part of its normal business operations, they are held as or can be converted to cash and be available for operating needs or payments of current liabilities within 12 months of the statement of net position date. Similarly, liabilities are considered to be current if they can be expected, as part of normal Foundation business operations, to be due and paid within 12 months of the statement of net position date. All other assets and liabilities are considered to be noncurrent.

Cash and cash equivalents: The Foundation's cash and cash equivalents consist of demand deposits, money market accounts, and cash held in investment accounts, which are used to deposit Foundation contribution receipts and make transfers to the College to expend in accordance with donor restrictions.

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor and the Securities Investor Protection Corporation (SIPC) up to \$500,000 per depositor. In addition, the Foundation maintains accounts that qualify as public depositories pursuant to Chapter 280, Florida Statute. Foundation accounts maintained in accordance with Chapter 280, are not liable for any losses. Any losses to public depositors are satisfied first through any applicable deposit insurance, and then through the sale of collateral pledged or deposited by the defaulting depository.

**St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Investments are carried at fair value. Fair value is defined by GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations for over-the-counter markets such as the New York Stock Exchange or the National Association of Securities Dealers Automated Quotations. In the case of pooled funds or mutual funds, the fair value is determined by multiplying the number of units held in the pool by the prices per unit share as quoted by the broker and/or investment manager. The net change in the fair value of investments consists of both realized and unrealized gains and losses on investments. Gains or losses on the sale of components within any investment pool resulting from investment management decisions are attributed to the pool.

Remainder interest in trusts and estates: The Foundation recognizes an asset and revenue on remainder interest in trusts and estates when it receives notification of an irrevocable interest in said trust or estate. When management expects the cash from the contributions to be received more than one year in the future, the asset and revenue are discounted to net present value of expected cash flows determined at the time that gift is initially recorded based on the risk and term of the gift. These are part of the restricted – expendable and non-expendable net position because the Foundation does not have access to the assets until the assets are released from probate or after the donor's death.

The Foundation recorded its interests in the remainder interest in trusts and estates as a restricted expendable, or nonexpendable contribution (dependent upon the donors' restrictions) at fair value in the period the gift was received. Subsequent changes in the fair value of the remainder interest in trusts and estates are recognized as change in value of split-interest agreements. The Foundation measures remainder interest in trusts and estates at fair value on a recurring basis based on statements from the donors.

Other assets held for sale: Other assets held for sale are assets that have been donated and have been recognized at fair value. The donor has specified that the item be sold, and the majority of the proceeds are to be used for specific purposes as designated by the donor. These are part of the restricted – expendable net position.

Fair value measurements: The Foundation categorizes its fair value measurements within the fair value hierarchy established by GASB 72. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are organized into hierarchy based on the levels of inputs observable in the marketplace that are significant to the fair value measurement, as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible for identical assets or liabilities. Level 1 investments include publicly traded securities, exchange traded funds, mutual funds and certain exchange change derivatives (warrants, rights, options, futures).

Level 2: Inputs to the valuation methodology are quoted prices in the markets that are not considered active, dealer quotations, or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable either directly or indirectly. Level 2 investments include certain fixed or variable income securities and institutional funds not listed in active markets.

Level 3: Inputs to the valuation methodology are unobservable and significant to their fair value measurements. Level 3 investments include remainder interests in trusts and estates.

St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Securities: The fair value of marketable securities reflects market closing prices reported from publicly traded exchanges and are recorded in Level 1.

Fixed Income Mutual Funds: Funds are reported as Level 1 as they trade with sufficient frequency and volume to enable the Foundation to obtain pricing information on an ongoing basis.

Equity Mutual Funds: Funds are measured at fair value using quoted market prices and are recorded as Level 1 as they are traded in an active market for which closing prices are readily available.

Federal Agency Obligations: Investments are recorded as Level 2 are measured based on quoted prices for similar securities in active markets.

Funds Held in Trust by Others: The Foundation's beneficial interest in irrevocable trusts agreements held or controlled by a third party are reported as Level 3 as the input to the valuation methodology are unobservable. The Foundation develops inputs using the best information available in the circumstances.

Real Estate Investment Trusts: The fair value of these investments reflects market closing prices reported from publicly traded exchanges and are recorded in Level 1.

Capital assets: Property and equipment in excess of \$5,000 with an estimated life in excess of one year are capitalized. Donated property used by the Foundation is recorded at fair value on the date contributed. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. When appropriate, depreciation is provided using the straight-line method over the estimated useful lives of the assets. Capital assets were fully depreciated for the years ended March 31, 2020 and 2019.

Collections: Collections donated to the Foundation are not capitalized on the statement of net position. It is the policy of the Foundation not to purchase any collections. The Foundation has received gifts of donated art objects, microfilm, and microfiche that will be held for educational purposes. The donor agreements for the art objects require that the artwork be stored or displayed in perpetuity in a museum. Collections are held for exhibition to the public and for education purposes, not for financial gain. Collections are appropriately protected, cared for, and preserved in order to maintain the cultural, aesthetic and historical value of the collections perpetually.

Net position: The Foundation's net position is classified into the following net position categories:

Restricted expendable: Assets subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time. These assets may include accumulated appreciation on the endowment funds, accumulated endowment spending allocations and restricted expendable funds.

Restricted nonexpendable: Assets subject to externally imposed conditions that the Foundation will retain in perpetuity. This classification of net position represents the net corpus of true donor-restricted endowed funds. To the extent that the market value of a fund is below its historical cost (corpus), the difference is recorded as unrestricted in the statements of net position.

Unrestricted: All other categories.

St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Endowments – endowment spending policy: The Foundation's endowed funds are managed in an investment pool in accordance with the Foundation's Board approved Investment Policy Guidelines and the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The FUPMIFA provides statutory guidance for management, investment, and expenditure of endowed funds. Investment decisions are based on a long-term investment strategy intended to preserve the investment capital and its purchasing power, meet payout requirements, and maximize the endowment portfolio's long-term total return. At March 31, 2020, the Foundation's endowment portfolio target mix was 70% invested in equity and 30% in fixed income holdings with further refinement regarding the types of positions held within those general classes, compared to the prior year which had a target mix of 65% invested in equity, 30% in fixed income holdings, and 5% in alternative investments. The Foundation, through its Finance and Investment Advisory Committee, continues to monitor and review the investment policy and asset mix to enhance the long-term performance of the endowment investments.

The Foundation's Finance and Investment Advisory Committee establishes the endowment payout rate annually, giving prudent consideration to asset allocation, expected returns, future capital market assumptions, inflation and other market conditions and the expendable income needs of the endowment fund holders. The rate for fiscal years ended March 31, 2020 and 2019, was 4.5%. Endowment payout is calculated by multiplying the payout rate by the market value at the end of the fiscal year on accounts held less than five years or by the five-year average fair value for all other accounts. For endowed funds with a fair value that is less than historical cost (corpus), referred to as "underwater funds", payout is not limited to actual cash income earned under the FUPMIFA. The FUPMIFA allows for the expenditure of the endowment fund as the governing board determines to be prudent for the uses and purposes of which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund without regard to the source of the payout.

Classification of revenues and expenses: Proprietary funds distinguish operating revenue and expenses from nonoperating revenue and expenses. The Foundation considers operating revenue and expenses in the statement of revenues, expenses and change in net position to be revenue and expenses that result from activities that are connected directly to the Foundation's primary functions. Such transactions include contributions received and scholarships and grants the Foundation makes to the College. The Foundation has no revenue from exchange transactions that would be considered operating revenue. Certain other transactions are reported as nonoperating income and loss. These nonoperating activities include the Foundation's noncapital financing activities and net investment income (loss).

Contributions and pledges: Contributions, including pledges, are recorded as revenue when all eligibility requirements are met. Contributions designated by donors to be used in future years are recorded as unearned revenues or advance receipts until such time restrictions have elapsed. Contributions that are restricted by the donor are reported as an increase in unrestricted net position if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in net position restricted – expendable or nonexpendable depending on the nature of the restriction. When a restriction expires, net position restricted – expendable are reclassified to unrestricted net position.

Investment income and net realized and unrealized gains or losses on restricted contributions are recorded as increases or decreases to net position restricted – expendable or nonexpendable, in accordance with donor stipulations.

**St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received in future periods are initially recorded at estimated fair value determined using the discounted present value of expected cash flows, net of an allowance for uncollectable promises to give. The discount rates are determined at the time the unconditional pledge to give is initially recorded based on the risk and term of the gift.

Donated items: The value of donated securities, materials, services, small equipment, land and other nonmonetary items are recorded in the financial statements as contributions based upon the acquisition value of the goods received at the time of the donation.

Employees of the College operate the Foundation. The College also provides office space for the Foundation, as well as other miscellaneous supplies and services. These items are all recognized as in-kind contribution revenue and expense.

Foundation fee: The Foundation assesses an administrative fee on all funds maintained to cover expenses associated with the management of those assets over time. The fee is calculated quarterly, is deducted from the interest and dividend revenues of the individual funds, and is included in operating revenue. The fee was 0.75% annually for the years ended March 31, 2020 and 2019.

Program services expenses: Scholarship and program expenses paid to the College are recognized as expenses and liabilities when commitment to pay the scholarship and program expenses is made, not when cash is paid.

Expenses: Operating expenses of the Foundation other than program services are allocated to two different functional categories based on management's estimate of the time and expense spent for each of the functions. These functions are defined as follows:

Administrative: The costs of operating the Foundation offices, including gathering, processing and maintaining financial and legal information.

Fundraising: The costs associated with the direct solicitation of contributions to the Foundation.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Foundation's policy is to apply restricted resources first.

Income taxes: The Foundation is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which the Foundation is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

Use of estimates: The preparation of financial statements in accordance 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 and expenses during the reporting period. Actual results could differ from those estimates.

St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40), the Foundation's investments are reported by investment type at fair value in the table below. GASB 40 also requires the disclosure of various types of investment risk based on the type of investment, as well as stated policies adopted by the Foundation to manage those risks.

Cash, cash equivalents, and investments consist of the following as of March 31:

	2020	2019
Cash and cash equivalents:		
Commercial banks	\$ 477,717	\$ 209,105
Money market funds	1,293,064	629,547
Total cash and cash equivalents	<u>1,770,781</u>	<u>838,652</u>
Investments:		
U.S. government obligations	1,301,980	1,227,728
Federal agency obligations	2,621,464	4,045,716
Bonds and notes	9,224,682	9,541,860
Stocks and other equity securities	42,946,053	48,570,221
Mutual funds	2,756,762	3,165,307
Real estate investment trusts	975,658	1,141,388
Total investments	<u>59,826,599</u>	<u>67,692,220</u>
Total cash, cash equivalents and investments	<u>\$ 61,597,380</u>	<u>\$ 68,530,872</u>
Current – cash and cash equivalents	\$ 1,770,781	\$ 838,652
Current – investments	28,336,628	38,053,862
Noncurrent – endowed investments	31,489,971	29,638,358
	<u>\$ 61,597,380</u>	<u>\$ 68,530,872</u>

St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

The following are maturities and credit quality ratings for the Foundation's investments in debt securities, money market, and mutual funds at March 31:

Investment Type	Fair Value	2020 Investment Maturities (in Years)				Ratings	
		Less than 1	1 to 5	6 to 10	More than 10	S&P	Moody's
Investments:							
U.S. government obligations	\$ 1,301,980	\$ 92,009	\$ 276,024	\$ 933,947	\$ -	(1)	(1)
Federal agency obligations	2,621,464	84,318	416,790	619,094	1,501,262	AA+	AAA
Bonds and notes	9,224,682	243,351	2,381,778	1,638,626	4,960,927	AAA-D	AAA-CA
Fixed income mutual fund	100,705	-	-	100,705	-	AAA	
Fixed income mutual fund (2)	162,645	-	162,645	-	-	AAA-BBB	
Fixed income mutual fund (3)	70,673	-	-	-	70,673	AAA-NR	
Fixed income mutual fund	1,430,385	-	-	1,430,385	-	AAA-NA	
Fixed income mutual fund	776,404	-	-	-	776,404	BB-B	BB-B
Real estate investment trusts	975,658	975,658	-	-	-	Not Rated	
Equity mutual funds	215,950	215,950	-	-	-	Not Rated	
Equity securities	42,946,053	42,946,053	-	-	-	Not Rated	
Total investments	59,826,599	44,557,339	3,237,237	4,722,757	7,309,266		
Cash and cash equivalents:							
Money markets	456,673	456,673	-	-	-	Not Rated	
Money markets	174,643	174,643	-	-	-	Not Rated	
Money markets	661,748	661,748	-	-	-	Not Rated	
Cash	477,717	477,717	-	-	-		
Total cash and cash equivalents	1,770,781	1,770,781	-	-	-		
Total	\$ 61,597,380	\$ 46,328,120	\$ 3,237,237	\$ 4,722,757	\$ 7,309,266		

Investment Type	Fair Value	2019 Investment Maturities (in Years)				Ratings	
		Less than 1	1 to 5	6 to 10	More than 10	S&P	Moody's
Investments:							
U.S. government obligations	\$ 1,227,728	\$ -	\$ 299,898	\$ 824,360	\$ 103,470	(1)	(1)
Federal agency obligations	4,045,716	-	359,352	2,599,492	1,086,872	AA+	AAA
Bonds and notes	9,541,860	71,686	3,099,233	1,822,690	4,548,251	AAA-D	AAA-CA
Fixed income mutual fund (2)	105,381	-	105,381	-	-	AAA	
Fixed income mutual fund (2)	175,436	-	175,436	-	-	AAA-BBB	
Fixed income mutual fund (3)	83,756	-	-	-	83,756	AAA-NR	
Fixed income mutual fund (2)	715,198	-	715,198	-	-	BB-B	BB-B
Fixed income mutual fund	2,085,536	-	-	2,085,536	-	AAA-B	AAA-B
Real estate investment trusts	1,141,388	1,141,388	-	-	-	Not Rated	
Equity mutual funds	246,538	246,538	-	-	-	Not Rated	
Equity securities	48,323,683	48,323,683	-	-	-	Not Rated	
Total investments	67,692,220	49,783,295	4,754,498	7,332,078	5,822,349		
Cash and cash equivalents:							
Money markets	380,331	380,331	-	-	-	Not Rated	
Money markets	170,996	170,996	-	-	-	Not Rated	
Money markets	78,220	78,220	-	-	-	Not Rated	
Cash	209,105	209,105	-	-	-		
Total cash and cash equivalents	838,652	838,652	-	-	-		
Total	\$ 68,530,872	\$ 50,621,947	\$ 4,754,498	\$ 7,332,078	\$ 5,822,349		

- (1) Disclosure of credit risk is not required for this investment type.
(2) These fixed income mutual funds have a weighted average maturity of <5 years.
(3) Components of these funds have credit ratings that range from AAA to NR.

**St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Investment income from these investments is summarized as follows for the years ended March 31:

	2020	2019
Net change in investments	\$ (7,896,021)	\$ 2,143,654
Interest and dividends	1,899,403	1,700,431
Investment fees	(1,118,047)	(1,096,140)
	<u>\$ (7,114,665)</u>	<u>\$ 2,747,945</u>

There are many factors that can affect the value of investments, including:

Credit risk: Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies such as Moody's Investors Service or Standard and Poor's. The lower the rating, the greater the chance that the bond issuer will default or fail to meet payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

The Foundation's investment policy provides that debt issues of investment grade "BBB" or better is preferred. However, investment managers may purchase lesser quality debt investments as long as the purchases represent no more than 25% of a manager's fixed income portfolio.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, have little or no credit risk. The Foundation maintains policies to manage credit risk, which include requiring minimum credit ratings issued by nationally recognized rating organizations.

Interest rate risk: Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter maturities.

The Foundation's investment policy limits investments in fixed income securities to maturities of no longer than 30 years. Investments in securities of a single issue (with the exception of U.S. Government, Fannie Mae and Government Agencies) may not exceed 5% of total assets with each money manager and policy provides that debt issues of investment grade "BBB" or better is preferred. However, investment managers may purchase lesser quality debt investments as long as the purchase represents no more than 25% of a manager's fixed income portfolio. As of March 31, 2020 and 2019, the Foundation has \$13,148,125 and \$14,815,304, respectively, in obligations of the U.S. government, federal agencies, and bonds and notes that include embedded options consisting of the option at the discretion of the issuer to call their obligation.

St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Concentration of credit risk: Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the Foundation to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. Securities issued or explicitly guaranteed by the U.S. government, Fannie Mae and government agencies are not considered by management to be a concentration of credit risk.

The Foundation's policy provides that investments in fixed income securities of a single issue must not exceed 5% of fair value total investment assets with each money manager. U.S. government and federal agency obligations are not subject to this limitation. For equities, no single major industry may represent more than 15% of the market value of the total amount each investment firm has to invest at the time of purchase, and in no case should an individual security be purchased that exceeds 5% of the portfolio total without approval from the investment committee. The policy also provides that the target asset allocation for the investment portfolio is 70% in equities and 30% in fixed income.

From time to time, the Foundation holds deposits in excess of the amount insured by the FDIC and the SIPC. Management believes that the risk of loss on these deposits is remote.

Custodial credit risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the Foundation will not be able to recover the value of its investments. The Foundation's investment policy does not address custodial risk. Foundation investments in debt securities are uninsured, not registered in the name of the Foundation, and held by financial institutions and, as such, are exposed to custodial credit risk.

Foreign currency risk: Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. As of March 31, 2020 and 2019, the portfolio does not hold any foreign bonds. While foreign securities are held in an international equity account, they are held as American depositary receipts (ADR's), which are denominated in U.S. dollars and trade like U.S. domestic equities on U.S. domestic stock exchanges. Under the Foundation's investment policy, there is no provision to purchase individual foreign-denominated securities.

Fair value measurements: The Foundation's Level 1 investments primarily consist of publicly traded equity securities, mutual funds and exchange traded funds. Level 2 investments primarily consist of Federal Agency obligations and corporate bonds. Level 3 investments consist of remainder interests in trust and estates. The Foundation does not hold any Net Asset Value (NAV) investments in its portfolio.

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Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of March 31:

Asset Type	2020			
	Fair Value	Level 1	Level 2	Level 3
Equity securities	\$42,946,053	\$42,946,053	\$ -	\$ -
Fixed or variable income securities				
U.S. government guaranteed	3,923,443	1,301,980	2,621,463	-
Other U.S. dollar denominated	12,957,103	3,732,421	9,224,682	-
Remainder interest in trusts and estates	1,034,464	-	-	1,034,464
Other assets held for sale	27,649	27,649	-	-
Total assets in the fair value hierarchy	<u>\$60,888,712</u>	<u>\$48,008,103</u>	<u>\$11,846,145</u>	<u>\$1,034,464</u>

Asset Type	2019			
	Fair Value	Level 1	Level 2	Level 3
Equity securities	\$48,323,683	\$48,323,683	\$ -	\$ -
Fixed or variable income securities				
U.S. government guaranteed	5,273,444	1,227,728	4,045,716	-
Other U.S. dollar denominated	14,095,093	4,553,232	9,541,861	-
Remainder interest in trusts and estates	1,129,104	-	-	1,129,104
Other assets held for sale	36,750	36,750	-	-
Total assets in the fair value hierarchy	<u>\$68,858,074</u>	<u>\$54,141,393</u>	<u>\$13,587,577</u>	<u>\$1,129,104</u>

Note 4. Related Party Transactions

The Foundation is related to the College by virtue of its primary purpose, which is to engage in activities to foster, promote, and provide funds to or for the benefit of the College and its students. During the years ended March 31, 2020 and 2019, the Foundation provided scholarships and program expenses to the College in the amount of \$3,512,588 and \$4,028,842, respectively.

The College provides the office space for the Foundation to operate without charge. Management estimates fair value of the annual rent, including utilities, to be approximately \$24,000 for the years ended March 31, 2020 and 2019. The College also provides the employees to operate the Foundation at an estimated cost of approximately \$669,000 and \$464,000 for the years ended March 31, 2020 and 2019, respectively. The College provided other miscellaneous services and supplies in estimated amounts of approximately \$34,500 and \$7,600 for the years ended March 31, 2020 and 2019, respectively. These donated amounts are recognized in the statements of revenues, expenses and change in net position as operating revenue as a part of contributions and various elements of operating expenses. The College provides the insurance for the Foundation; however, an allocation for the insurance cost cannot be determined at this time.

During the years ended March 31, 2020 and 2019, the Foundation received cash donations from members of the Board, corporations and organizations affiliated with directors of the Board. One Board member has established an endowment at the Foundation and four have established named scholarship funds.

St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 4. Related Party Transactions (Continued)

The Foundation has permanently loaned The Leepa-Rattner-Gentle art collection to the College for \$1. The College provided the insurance for the collection until 2010. Starting in 2010, the Foundation is responsible for the insurance on the art collection at a cost of approximately \$15,000 per year. The College has in turn loaned the collection to The Leepa-Rattner Museum of Art, Inc. (Museum).

Within the Foundation is an endowment fund appropriated for the Museum valued at \$2.1 million and \$2.4 million at March 31, 2020 and 2019, respectively.

The Foundation also holds restricted funds appropriated for the Institute for Strategic Policy Solutions at St. Petersburg College (Institute). The Institute is a legally separate 501(c)(3) support group organized to advance academic excellence, community engagement, economic vitality and public understanding through high-quality, solutions-directed public policy programs. The Foundation reflects this balance in the financial statements as part of investments.

During the year ended March 31, 2018, the Foundation transferred to the College approximately \$6.34 million from funds held by the Foundation for the Institute. This transfer is non-interest bearing and is classified noncurrent, as the College is expected to enter into a plan to determine the terms of repayment during the fiscal year ending 2021.

Note 5. In-Kind Contributions

In-kind contributions are included in contributions in the statement of revenues, expenses and change in net position. The majority of in-kind contributions are from the College. The remainder of in-kind contributions are from other individuals or corporations. Management estimates that the fair value of items donated to the Foundation are as follows for the years ended March 31:

	2020	2019
Materials and supplies	\$ 10,772	\$ 42,251
Contributions in-kind from the College:		
Donated personnel	668,572	464,201
Facilities	24,324	24,430
Services, materials and supplies	34,529	7,557
	<u>\$ 738,197</u>	<u>\$ 538,439</u>

Note 6. State Matching Funds

The Foundation qualifies as a recipient of state matching funds under the Dr. Philip Benjamin Matching Program for Community Colleges. Under the grant agreement, the Foundation receives dollar-for-dollar matching funds from the state of Florida for all contributions that are restricted to financial aid and scholarships. All other contributions received are matched on a \$4 for \$6 basis. The primary use of these funds is to benefit future as well as students currently enrolled at the College and to improve the quality of education. The Foundation records these funds as either net position restricted – expendable or net position restricted – nonexpendable (permanent endowments) depending on the restriction of the contribution they are matching.

**St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 6. State Matching Funds (Continued)

This amount is not included in receivables in the statements of net position. The State Legislature has not appropriated funding for this program since 2007. Due to the significant backlog of unmatched gifts, the 2011 Legislature decided to enact a freeze on matching any new donations received on or after June 30, 2011, until at least \$200 million of the existing backlog has been paid down. Donations already received, or those received by June 29, 2011, remain eligible for state matching funds once those funds become available. The State Legislature has not awarded this grant.

Note 7. Net Position Restricted – Expendable

Net position restricted – expendable was available for the following purposes at March 31:

	2020	2019
Program support	\$ 23,602,295	\$ 28,083,948
Scholarships and grants to students	8,189,358	12,843,057
Time restriction on charitable remainder trusts	693,924	807,073
Awards for endowed teaching chairs	250,634	342,059
Student recognition awards	270,798	346,434
	<u>\$ 33,007,009</u>	<u>\$ 42,422,571</u>

Changes in restricted – expendable net position are as follows for the years ended March 31:

	2020	2019
Restricted – expendable at beginning of year	\$ 42,422,571	\$ 42,364,764
Contributions	1,451,472	1,403,933
Release of restrictions	(3,793,675)	(4,019,167)
Investment return:		
Investment income, net	772,238	599,313
Net appreciation of investments	(7,845,597)	2,073,728
Total investment return	<u>(7,073,359)</u>	<u>2,673,041</u>
Restricted – expendable at end of year	<u>\$ 33,007,009</u>	<u>\$ 42,422,571</u>

Assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions were accomplished by the following during the years ended March 31:

	2020	2019
Scholarship expenses	\$ 2,174,592	\$ 2,326,247
Capital project construction	21,009	92,098
Other program expenses	1,293,096	1,617,168
Other operating expense	15,180	-
Change in value of split interest agreements	54,640	3,557
Change of donor restrictions	235,158	(19,903)
	<u>\$ 3,793,675</u>	<u>\$ 4,019,167</u>

**St. Petersburg College Foundation, Inc.
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Notes to Financial Statements

Note 8. Net Position Restricted – Nonexpendable

Net position restricted – nonexpendable consist of donor-restricted assets (endowments) subject to the spending policy of the Foundation. The income from these endowments is sometimes restricted for a specific purpose by the donor. Realized and unrealized gains and losses on endowments are recorded as unrestricted, restricted – expendable or nonexpendable, consistent with the interest and dividend income treatment, unless otherwise specified by the donor.

Net position restricted – nonexpendable is summarized as follows as of March 31:

	2020	2019
Program support	\$ 9,846,485	\$ 10,016,788
Scholarships and grants to students	20,845,772	18,815,479
Award for endowed teaching chairs	552,074	561,071
Time restriction on charitable trusts	340,540	340,540
Student recognition awards	245,641	245,021
	<u>\$ 31,830,512</u>	<u>\$ 29,978,899</u>

Changes in restricted – nonexpendable net position are as follows for the years ended March 31:

	2020	2019
Restricted – nonexpendable at beginning of year	\$ 29,978,899	\$ 27,457,900
Contributions	1,716,346	2,470,291
Reclassifications	176,573	(23,587)
Investment return:		
Investment income, net	9,118	4,368
Net appreciation of investments	(50,424)	69,926
Total investment return	<u>(41,306)</u>	<u>74,295</u>
Restricted – nonexpendable at end of year	<u>\$ 31,830,512</u>	<u>\$ 29,978,899</u>

Certain donors changed their restrictions during the years ended March 31, 2020 and 2019, resulting in reclassifications of net assets.

Note 9. Designated Unrestricted Net Position

The Foundation has a board designated endowment fund recorded as unrestricted net assets which was designated by the Board in 2017 with the proceeds from a BP Deepwater Horizon settlement. The Board decides the use of these funds on an annual basis.

Since these funds are not the result of donor-imposed or contractual restrictions, they are reflected as a component of unrestricted net position on the statement of net position. As of March 31, 2020 and 2019, the amount of unrestricted net position board designed for this fund was \$630,401 and \$638,796, respectively.

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Notes to Financial Statements

Note 10. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The spread of COVID-19, a novel strain of coronavirus, appears to be altering the behavior of business and people in a manner that is having negative effects on local, regions and global economies. The extent to which COVID-19 impacts the operations of the Foundation in the future will depend on subsequent developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact and the impact of each of these items on the economies and financial markets in the United States of America.

St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College

Schedule of Collections (Unaudited)
March 31, 2020

The Foundation has received various gifts of donated art objects, microfilm, and microfiche, being held for education purposes, which are not reflected on the financial statements. They include:

1. Wendall Ware Microfilm Collection – A collection of 25,000,000 images. Independently appraised to be worth \$1,932,447.
2. Canadian Donors Art Collections – A collection of contemporary prints and artists' proofs. Independently appraised to be worth \$988,653.
3. Anonymous Oriental Art Objects Collection – A collection of Chinese Qing dynasty and Japanese Taisno, Heisei, and Showa Period objects d'art. Independently appraised to be worth \$44,275.
4. Abraham Rattner, Allen Leepa, and Esther Gentle Art Collection – Over 5,000 artworks with an estimated fair market value of \$22 million.
5. Two art quilts by Pauline Salzman. Independently appraised to be worth \$5,600 and \$4,000.
6. Contemporary Florida Art Collection and American Fine Crafts from the Gulf Coast Museum of Art. Independently appraised to be worth \$544,210.
7. Stella Anderson Photographs – A collection of 10 black and white photographs of downtown St. Petersburg donated by Stella Anderson with an estimated fair market value of \$2,500.
8. Martha Campbell painting with an estimated fair market value of \$800.
9. Florence Putterman Paintings – Two paintings with an estimated fair market value of \$1,600.
10. Victoria Block Pieces – A collection of nine wall-mounted oil on ceramic pieces with an estimated fair market value of \$3,500.
11. Jack King Piece – A mixed-media wall construction art piece with an estimated fair market value of \$1,100.
12. Jack Barrett painting – "Knight of the Brownstones" with an estimated fair market value of \$6,800.
13. Winslow Homer – A collection of prints (370). Estimated fair market value \$46,955.
14. Original drawings and watercolors by Joseph Weinzette (14). Donated by Joseph Weinzette. Estimated fair market value of \$5,800.
15. Digital print by Robert Derr donated by the artist. Estimated fair market value of \$1,100.
16. Paintings (26) by various artists and art books (11), donated by John and Betty Milson. Estimated fair market value of \$14,500.
17. Four ethnographic sculptures and one decorative lamp, donated by Rita Scott estate. Estimated fair market value of \$21,700.
18. Carved Bass Wood – Golden Retriever "Buddy" by Mark Noll. Estimated fair market value of \$750.
19. 12 works by David P. Anderson. Donated by Lawrence Konrad & Robert Pope. Not valued.
20. Paintings (2) by Joseph Weinzette; Portrait of an African Girl and Urban Landscape. Estimated fair market value of \$1,200.
21. Paintings by D. Anderson – Russian Peasant and My Heart Greatly Rejoices. Estimated fair market value of \$5,000 and \$9,000 respectively.
22. Painting by W. Nelson – Stage Coach. Estimated fair market value of \$4,500.

**St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College**

**Schedule of Collections (Unaudited)
March 31, 2020**

23. Painting by Lisa Williamson – Kentucky Landscape, painting by Mary Bassham – Still Life with Tea Pot and untitled painting by Maria Calandra, donated by Ken Rollins. Estimated fair market value of \$9,500.
24. Collection of ceramic Panamanian/pre-Columbian artifacts donated by Lourdes Oliveira. Not valued.
25. Dog with Dragon Fly Sculpture. Estimated fair market value of \$885.
26. Mixed media artwork “Landscape” by Morgan. Estimated fair market value of \$2,800.
27. Japanese Tatami Mats (2). Estimated fair market value of \$4,200.
28. 3D Painting/Sculptures. Estimated fair market value of \$1.
29. Robert Wood Landscape with Stream. Estimated fair market value of \$5,600

Total Fair Market Value: \$25,668,975



RSM US LLP

**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**

Board of Directors
St. Petersburg College Foundation, Inc.

We have audited, 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, the financial statements of St. Petersburg College Foundation, Inc. (Foundation) as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated September 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine 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 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 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 weaknesses. 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 significant deficiency.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Foundations' Response to Findings

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Foundation's response was not subjected to 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 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.

RSM US LLP

St. Petersburg, Florida
September 14, 2020

**St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College**

**Schedule of Findings and Responses
Year Ended March 31, 2020**

I. Financial Statement Findings

A. Internal Control

2020-001: Irrevocable Split Interest Agreements

Criteria: Governmental Accounting Standards Board, Statement No. 81, *Irrevocable Split Interest Agreements* (GASB 81) establishes the accounting treatment for irrevocable split-interest agreements. In accordance with GASB 81; if a third-party is the intermediary of a split-interest agreement, a government should recognize an asset and a deferred inflow of resources when the government becomes aware of the agreement, determines it to be irrevocable, and has sufficient information to measure the beneficial interest.

The beneficial interest asset initially should be measured at fair value and then subsequently remeasured at fair value at each financial reporting date. Changes in the fair value of the beneficial interest asset also should be recognized as an increase or a decrease in the related deferred inflow of resources.

The beneficiary should recognize revenue for the beneficial interest at the termination of the agreement, as stipulated in the irrevocable split-interest agreement. Also, at the termination of the agreement, the beneficial interest asset and the related deferred inflow of resources should be eliminated.

Condition: The St. Petersburg College Foundation (Foundation) is the beneficiary of two split interest agreements in which they are not the intermediary. Upon review of correspondence from the donor, it was determined that the two split interest agreements were not irrevocable and should not be recorded in the Foundation's financial statements. Additionally, in recording these beneficial interests, the Foundation recognized contribution revenue rather than a deferred inflow of resources.

Context: This condition is limited to the accounting cycle for two split interest agreements. These contributions have been recognized over a period of time and are not impacting the statement of revenues, expenses and change in net position for the year ended March 31, 2020 except for the change in value of the split interest agreements during the year.

Cause: The Foundation received conflicting information regarding the irrevocability of the gifts. As a result, beneficial interests were recognized for agreements which were ultimately determined to be revocable.

Effect: The Foundation has recognized approximately \$1 million of beneficial interests in irrevocable trusts as an asset and contribution income. As a result, assets and net position are overstated as of March 31, 2020.

Recommendation: We recommend that the Foundation review its current policies and procedures regarding the accounting for and reporting of split interest agreements. Review procedures should focus on ensuring balances and transactions have been recorded and reported in compliance with GASB 81. We also recommend that if conflicting evidence is received regarding a gift, the Foundation work with the donors to determine the nature of the gift and proper accounting treatment.

**St. Petersburg College Foundation, Inc.
A Component Unit of St. Petersburg College**

**Schedule of Findings and Responses (Continued)
Year Ended March 31, 2020**

Response: The two trusts at issue were recorded in the Foundation's financial statements in 1996. At that time, GASB 81 had not yet been enacted and there were no equivalent GASB standards in existence at that time. The Foundation followed the generally accepted accounting principles in effect at that time. Furthermore, during the period from 1996 to the present, all aspects of the Foundation's financial reporting, including the Foundation's treatment of these two trusts were reviewed and approved as being in full compliance with all applicable generally accepted accounting principles by the Foundation's external auditors, including any and all applicable GASB standards.

GASB 81 became effective for implementation for the Foundation's fiscal year ending March 31, 2018. At that time, there were significant changes to the Foundation's accounting department personnel that included termination of the experienced accounting manager position and employment of part-time, non-licensed accountants to handle all financial management functions of the Foundation. The March 31, 2018, financial report was prepared and audited during this period.

Corrective Action: Regarding the implementation of GASB 81 with regards to the two subject trusts, the Foundation has determined that it shall remove the subject trusts from the Foundation's financial statement in FY 2021. It is the Foundation's position that this corrective action, as well as the response provided above, addresses and remedies the issues, cause and effects stated above, as well as clarifying the context stated above with regards to the two specific subject trusts referenced above.

Furthermore, it is the position of the Foundation that it has already implemented adequate corrective action to address any concerns regarding the timeliness of implementation of GASB 81 with regards to the Foundation's financial management and operations. As stated above, GASB 81 became effective as of 2018. Beginning in 2019, it became apparent that certain changes to the Foundation's accounting department personnel that had been made in 2017 did not adequately serve the needs of the Foundation. At that time, Foundation executive leadership took decisive action to address the situation. As a result, both the funding and the position of the Foundation's accounting manager was reinstated. This action restored continuity with the practices, operations, and daily financial management of the Foundation that had previously proven effective. It is the Foundation's position that the restoration of the accounting department will provide for the appropriate identification of potential GAAP departures going forward.

The Foundation's current standard of conduct includes outreach to donors in the event that a donor's response to an auditor's confirmation letter indicates a change in the status of the underlying bequest. In this instance, in June of 2020, upon learning that the Foundation's auditors had received a response to a confirmation letter indicating a change in the status of the underlying trust, the Foundation promptly complied with its customary standard by: 1) contacting the donor, 2) requesting clarification and additional information, and 3) promptly taking appropriate action upon receipt of the additional information provided by the donor, including the determination to remove the subject trusts from the Foundation's financial statements in FY 2021.

Accordingly, except as stated above, it is the Foundation's position that no further changes to the Foundation's standard procedures or other corrective action is required.