

**FLORIDA 4-H CLUB FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2021 AND 2020**

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of the Florida 4-H Club Foundation, Inc. (the Foundation), which affect the accompanying basic financial statements:

(a) **Reporting entity**—The Foundation is a direct-support organization as provided for in Section 1004.28, Florida Statutes, and is considered a component unit of the University of Florida (The University). The Foundation was incorporated in 1963 as a not-for-profit organization in the State of Florida. Its primary goal is to promote the educational objectives of the State 4-H program, which is a component of the Florida Cooperative Extension Service at the University of Florida.

(b) **Basis of accounting**—The Foundation's financial statements are prepared on the accrual basis of accounting in which transactions are recognized when they occur, regardless of related cash flows. These financial statements are entirely those of the Foundation alone and, accordingly, are not intended to present the financial position or the results of operations of the University of Florida. The Foundation was determined to be "governmental" under guidance provided by the Governmental Accounting Standards Board (GASB) Statement No. 29. The accounting policies of the Foundation conform to generally accepted accounting policies for governmental entities and follows standards established by GASB. All activities of the Foundation are accounted for in a single major enterprise fund, which uses the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

(c) **Fund accounting**—The accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into funds established for various purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group as follows: unrestricted, restricted expendable, and restricted nonexpendable.

Net position restricted by outside sources is so indicated and is distinguished from unrestricted funds. Externally restricted net position may only be utilized in accordance with the purposes established by the source of such funds. In contrast, the Governing Board retains full control to use unrestricted funds (including those designated for specific purposes by that Governing Board) to achieve the purposes of the Foundation.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) **Classification of revenues**—The Foundation classifies its revenues as operating or nonoperating according to the following criteria:

- (i) Operating revenues—include contributions and activities that have characteristics of exchange transactions, such as registration fees for youth development camps, animal service events and 4-H youth leadership events, canteen revenue and sponsorships.
- (ii) Nonoperating revenues—include activities that have characteristics of nonexchange transactions, such as investment income and contributions to permanent endowments.

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(1) **Summary of Significant Accounting Policies:** (Continued)

- (e) **Net position**—The Foundation’s net position is classified as follows:
- (i) **Unrestricted**—Unrestricted net position represents resources derived from unrestricted contributions, registration fees and canteen revenue. These resources are used for transactions relating to the general operation of the Foundation, they are not restricted by outside sources and may be used at the discretion of the Governing Board to meet current expenses for any purpose.
  - (ii) **Restricted Expendable**—Restricted expendable net position includes resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. These amounts include the unexpended amounts of the restricted contributions, subsequent income earned on restricted contributions and unexpended income earned on endowment accounts.
  - (iii) **Restricted Nonexpendable**—Restricted nonexpendable net position consists of endowments in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future expendable income.
- (f) **Donated services**—The Foundation occupies office space at the University of Florida and is assisted by employees of the University of Florida. No value for such services is recorded in the accompanying financial statements.
- (g) **Funds held with the University of Florida**—Funds held with the University of Florida represent balances held with the University. These funds are available for immediate withdrawal.
- (h) **Accounts receivable**—Accounts receivable are recorded stated at the amount management expects to collect from balances at year-end. Based on management’s assessment of the credit history with organizations and individuals having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. The Foundation has no policy requiring collateral or other security to support its accounts receivable.
- (i) **Investments and fair value measurements**—In general, investments are reported at fair value. The Foundation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.
- (j) **Inventories**—Inventories consist of food and supplies used for the camps operated by the Foundation and merchandise sold in its gift shops. Inventories are carried at cost using the first-in, first-out (FIFO) method.

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(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Capital assets**—All capital assets are owned by the University of Florida and recorded by the University of Florida Plant Fund. The Foundation does not include capital assets on their statement of net position and the costs of additions incurred by the Foundation are expensed as incurred.

(l) **Income taxes**—The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under the *Florida Not-for-Profit Corporation Act*. In addition, the Internal Revenue Service has determined that the Foundation is not a private foundation under Section 509(a)(1). Federal and state income taxes are paid only on unrelated trade or business net income, if any. No federal or state income taxes were paid during the years ended March 31, 2021 and 2020. The Foundation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

If applicable, the Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

(m) **Revenue recognition**—Revenues from general sources are recognized as services are provided or as contract and grant funds are earned. Restricted revenues are recognized only to the extent that they are expended in accordance with donor or grantor restrictions. Any restricted revenues which have been received, but not expended, are shown as unearned revenue in the liability section of the accompanying statement of net position.

(n) **Accounting estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(o) **Reclassification**—In order to facilitate the comparison of financial data, certain March 31, 2020 account balances have been reclassified to conform to the current year reporting format. These reclassifications had no effect on 2020 net income or net position for the Foundation.

(p) **Subsequent Events**—The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 3, 2021, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(2) **Cash and Cash Equivalents:**

Cash represents cash in checking and money market accounts with original maturities of less than three months, which are held in banks that qualify as public depositories pursuant to Chapter 280, Florida Statutes. The carrying amount of all cash deposits at March 31, 2021 and 2020 was \$139,380 and \$194,642, respectively, and the related bank balance was \$183,407 and \$186,568, respectively.

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(2) **Cash and Cash Equivalents:** (Continued)

Under Chapter 280, Florida Statutes, every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral for the depository. The State Treasurer, by rule, shall establish minimum required collateral pledging levels and shall notify each qualified public depository of its required pledging level. Each qualified public depository shall calculate the amount of its required collateral based upon certain formulas. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

(3) **Investments:**

The Foundation's investment policy describes the types of investments that it is authorized to purchase. The goal of the Foundation's investment program is set forth in the investment policy as approved by the Foundation's Board of Directors and Finance Committee. The objective is to provide a steady growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect the endowment from inflation. The Foundation is authorized to invest in Money Market Funds, U.S. Intermediate Term Taxable Bonds, Non-U.S. Bonds, Total U.S. Equities Market, U.S. Large Cap Value, U.S. Small Cap Value, Non-U.S. Large Stocks - Developed Countries, Non-U.S. Small Stocks - Developed Countries, Foreign Equities - Emerging Market, Real Estate Securities, and Real Estate Investment Trusts.

<u>Investment Type</u>	<u>Fair Value March 31, 2021</u>	<u>Fair Value March 31, 2020</u>
Domestic Bonds	\$ 121,406	\$ 82,981
Domestic Equities	541,219	415,542
International Equities	101,347	46,176
Mutual and Exchange Traded Funds	3,106,889	2,243,470
Total	<u>\$ 3,870,861</u>	<u>\$ 2,788,169</u>

***Interest rate risk***—Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Foundation's investment policy does not have a formal limit on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Foundation's exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Investment Maturity (Years)</u>	<u>Fair Value March 31, 2021</u>	<u>Fair Value March 31, 2020</u>
US Government & Federal Obligations	More than 10	\$ 1,240	\$ 1,410
Bonds and Notes	More than 10	120,166	81,571

***Concentration of credit risk***—At March 31, 2021 and 2020, more than five percent of the Foundation's investments were held in the following funds: American Growth Fund of American, Ishares Core S&P 500 ETF, First Trust Capital Strength EFT, and Vanguard Index Funds S&P 500 EFT. Such concentrations are permitted by the Foundation's investment policy.

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(3) **Investments:** (Continued)

**Credit quality risk**—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table below summarizes the ratings of the Foundation’s debt instruments using the S&P, a nationally recognized statistical rating organization. The Foundation’s investment policy does not have a formal limit on investment choices by credit rating. The Foundation’s exposure to credit quality risk is as follows:

<u>Investment Type</u>	<u>Quality Rating S&amp;P</u>	<u>Fair Value March 31, 2021</u>	<u>Fair Value March 31, 2020</u>
Bonds and Notes	A-	\$ -	\$ 10,735
Bonds and Notes	BBB+	11,109	-
Bonds and Notes	BBB	36,441	9,025
Bonds and Notes	BBB-	50,997	41,541
Bonds and Notes	Unrated	21,619	20,270
US Government & Federal Obligations	Unrated	1,240	1,410

**Foreign currency risk**—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation’s investment policy does not have a formal limit on foreign currency denominated investments. The Foundation’s exposure to foreign currency risk is as follows:

<u>Investment Type</u>	<u>Currency Type</u>	<u>Fair Value March 31, 2021</u>	<u>Fair Value March 31, 2020</u>
Common Stock	Various	\$ 101,347	\$ 46,176
Mutual and Exchange Traded Funds	Various	363,172	192,083

**Net investment return**— Net investment return on the statement of activities is comprised of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest	\$ 119,623	\$ 125,858
Realized gains/(losses), net	15,964	86,041
Unrealized gains/(losses), net	1,045,727	(445,721)
Investment expense	(23,787)	(23,273)
Investment return, net	<u>\$ 1,157,527</u>	<u>\$ (257,095)</u>

**Investments – University of Florida Foundation**—The total amount of endowment assets held by the University of Florida Foundation for the benefit of the Foundation that has not been included in the accompanying financial statements as of March 31, 2021 and 2020, was \$6,285,112 and \$4,771,981, respectively.

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(4) **Fair Value Measurements:**

The Foundation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation has the following recurring fair value measurements as of March 31, 2021 and 2020:

- (a) *Mutual and Exchange Traded Funds* – Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission and deemed to be actively traded.
- (b) *Funds held with the University of Florida* – Funds held with the University are valued at the Foundation’s ownership of a share of an investment pool, not the underlying securities. The Foundation relies on policies developed and administered by the University for managing interest rate risk or credit risk for these investment pools.

The following table summarizes the assets and liabilities of the Foundation for which fair values are determined on a recurring basis as of March 31, 2021:

<b>Description</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Fair Value</b>
Equity mutual funds				
Domestic equity funds	\$ 541,219	\$ -	\$ -	\$ 541,219
International equity funds	101,347	-	-	101,347
Total equity mutual funds	642,566	-	-	642,566
Domestic bond funds	121,406	-	-	121,406
Mutual and exchange traded funds	3,106,889	-	-	3,106,889
Funds held with the University of Florida	-	-	128	128
Total investments and funds held with the University of Florida at fair value	<u>\$ 3,870,861</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ 3,870,989</u>

**FLORIDA 4-H CLUB FOUNDATION, INC.**  
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(4) **Fair Value Measurements:** (Continued)

The following table summarizes the assets and liabilities of the Foundation for which fair values are determined on a recurring basis as of March 31, 2020:

<u>Description</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Equity mutual funds				
Domestic equity funds	\$ 415,542	\$ -	\$ -	\$ 415,542
International equity funds	46,176	-	-	46,176
Total equity mutual funds	461,718	-	-	461,718
Domestic bond funds	82,981	-	-	82,981
Mutual and exchange traded funds	2,243,470	-	-	2,243,470
Funds held with the University of Florida	-	-	112,601	112,601
Total investments and funds held with the University of Florida at fair value	<u>\$ 2,788,169</u>	<u>\$ -</u>	<u>\$ 112,601</u>	<u>\$ 2,900,770</u>

(5) **Risk Management:**

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Foundation carries commercial insurance through various commercial insurance carriers. Insurance against losses are provided for the following types of risk: General Liability; Real and Personal Property Damage; and Employee Dishonesty Coverage.

(6) **Related Party Transactions:**

During the year ended March 31, 2021, the Foundation received \$212,407 in endowment income from and transferred \$0 for investing to the University of Florida Foundation. Additionally, the Foundation has an agreement with the University whereby the Foundation pays for certain salary and benefits for personnel that support University Youth Programs. During the year ended March 31, 2021, the Foundation paid \$293,750 to the University for salary and benefits reported in the statement of revenues, expenses and changes in net position. Due to the impacts of the COVID-19 pandemic during the year ended March 31, 2021, the University funded approximately \$237,000 of salary expenses.

During the year ended March 31, 2020, the Foundation received \$186,420 in endowment income from and transferred \$0 for investing to the University of Florida Foundation. Additionally, the Foundation has an agreement with the University whereby the Foundation pays for certain salary and benefits for personnel that support University Youth Programs. During the year ended March 31, 2020, the Foundation paid \$511,870 to the University for salary and benefits reported in the statement of revenues, expenses and changes in net position.

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(7) **Risks and Uncertainties:**

During the year ended March 31, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Foundation as of June 3, 2021, management believes that a material impact on the Foundation's financial position and results of future operations is reasonably possible.

(8) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Foundation's financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

**INDEPENDANT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Audit and Finance Committee,  
Florida 4-H Club Foundation, Inc.  
Gainesville, Florida:

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 Florida 4-H Club Foundation, Inc. (the Foundation) as of and for the year ended March 31, 2021, and the related notes to the financial statements and have issued our report thereon dated June 3, 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 Foundation'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.

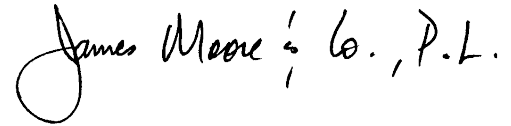
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***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*.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looping initial "J".

Gainesville, Florida  
June 3, 2021