

FLORIDA EDUCATION FUND, INC.

**Basic Financial Statements, Schedules and Reports
as Required by Chapter 10.650, *Rules of the Auditor General***

**June 30, 2021 and 2020
(With Independent Auditors' Report Thereon)**

FLORIDA EDUCATION FUND, INC.

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**Independent Auditors' Report on Basic Financial Statements
and Required Supplementary Information**

The Board of Directors
Florida Education Fund, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Education Fund, Inc., a component unit of the State of Florida, which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Education Fund, Inc. as of June 30, 2021 and 2020 and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 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 to be 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of operating activities by program is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.650, *Rules of the Auditor General*, and is also not a required part of the basic financial statements. The supplemental schedule of operating activities by program and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021 on our consideration of Florida Education Fund, Inc.'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 the 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 Florida Education Fund, Inc.'s internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

December 2, 2021
St. Petersburg, Florida

FLORIDA EDUCATION FUND, INC.

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis

The management's discussion and analysis ("MD&A") provides a financial performance review that is designed to focus on the financial activities, resulting changes, and currently known facts of Florida Education Fund, Inc. (FEF) for the fiscal year ended June 30, 2021. This overview is required by Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statements No. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of management.

Overview of the Financial Statements

Pursuant to GASB Statement No. 34, FEF's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statement of net position reflects the assets and liabilities of FEF, using the accrual basis of accounting, and presents the financial position of FEF at a specified time. The difference between assets and liabilities is net position. The net position is an indicator of FEF's financial health.

The statement of revenues, expenses and changes in net position presents FEF's revenue and expense activity, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The statement of cash flows provides information in the form of cash inflows and outflows summarized by operating, capital and related financing activities, and investing activities. This statement will assist in evaluating FEF's ability to generate net cash flows and its ability to meet its financial obligations as they come due.

FLORIDA EDUCATION FUND, INC.

**Management's Discussion and Analysis - Continued
(Unaudited)**

Financial Highlights

Condensed Statement of Net Position

The following summarizes FEF's assets, liabilities and net position at June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Cash and other current assets	\$ 858,366	218,667	595,771
Investments	25,792,087	20,384,795	19,615,280
Capital assets	19	2,288	5,590
	<u>26,650,472</u>	<u>20,605,750</u>	<u>20,216,641</u>
Liabilities:			
Current liabilities	2,074,985	1,865,374	2,474,219
Net Position:			
Net investment in capital assets	19	2,288	5,590
Restricted	43,400	20,000	20,000
Unrestricted	24,532,068	18,718,088	17,716,832
	<u>24,575,487</u>	<u>18,740,376</u>	<u>17,742,422</u>
Total net position	<u>24,575,487</u>	<u>18,740,376</u>	<u>17,742,422</u>
Total liabilities and net position	<u>\$ 26,650,472</u>	<u>20,605,750</u>	<u>20,216,641</u>

The Organization's net position increased by \$5,835,111 and \$997,954 in fiscal 2021 and 2020, respectively. Total net position at June 30, 2021 was \$24,575,487.

FLORIDA EDUCATION FUND, INC.

**Management's Discussion and Analysis - Continued
(Unaudited)**

Financial Highlights - Continued

Changes in Net Position

FEF's operating revenues increased 20% to \$5,366,411 in fiscal year 2021 and increased by 2.3% to \$4,472,334 in fiscal year 2020. The majority of the operating revenues are derived from various grants, appropriations and contracts from the State of Florida. Investment return is the second largest source of operating revenue for FEF. Total expenses decreased by approximately 4% to \$3,868,195 in fiscal year 2021 and by less than 4% to \$4,011,950 in fiscal year 2020.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues:			
Operating:			
Grants, appropriations and contracts	\$ 4,168,888	3,980,517	3,912,965
Contributions, including \$23,400 of restricted contributions in 2021	287,855	32,943	26,762
Investment return, excluding unrealized gains	905,897	428,083	382,646
Program service fees	914	30,393	50,065
Other	2,857	398	48
	<u>5,366,411</u>	<u>4,472,334</u>	<u>4,372,486</u>
Total operating revenues			
Non-operating	4,336,895	537,570	902,517
	<u>9,703,306</u>	<u>5,009,904</u>	<u>5,275,003</u>
Total revenues			
Expenses:			
McKnight Doctoral Fellowships	2,541,172	2,664,826	2,781,037
McKnight Junior Faculty Fellowships	253,502	94,274	94,122
Centers of Excellence	585,237	748,258	906,587
General and administrative	472,766	491,972	365,006
Fundraising	15,518	12,620	12,158
	<u>3,868,195</u>	<u>4,011,950</u>	<u>4,158,910</u>
Total expenses			
Change in net position	5,835,111	997,954	1,116,093
Net position, beginning of year	<u>18,740,376</u>	<u>17,742,422</u>	<u>16,626,329</u>
Net position, end of year	<u>\$ 24,575,487</u>	<u>18,740,376</u>	<u>17,742,422</u>

The changes in operating revenue in 2021 are primarily attributed to new sources of contributions from bequests and foundation grants and to changes in investment return. The changes in operating revenue in 2020 are primarily due to changes in investment return. The board of directors approves an annual budget under which the management of FEF operates during each fiscal year. Realized and unrealized gains and losses are not considered as a part of the budget process. The decrease in total expenses in 2021 and 2020 are primarily due to decreases in student support or stipends and tuition as a result of the disruption caused by the pandemic starting in the spring of 2020 which led to reductions in student attendance due to educational institutions limiting classroom learning.

FLORIDA EDUCATION FUND, INC.

**Management's Discussion and Analysis - Continued
(Unaudited)**

Economic Factors

In establishing the budget for 2021-2022, operating revenues and expenses are budgeted to reflect appropriated funding for McKnight Doctoral Fellowships. Operating expenses are budgeted to remain at relatively consistent levels. FEF's net position or its ability to maintain current investment levels will be the same. FEF has adopted no other major new programs or initiatives in the 2021-2022 budget.

Additional Information

This financial report is designed to provide the readers with a general overview of FEF's finances and to demonstrate FEF's accountability for the money it receives. If you have questions about this report or need additional information, contact FEF's offices at 201 East Kennedy Boulevard, Suite 1525, Tampa, Florida 33602.

FLORIDA EDUCATION FUND, INC.

Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 741,060	125,109
Accrued investment income	33,542	40,224
Receivables and other assets	83,764	53,334
Investments	25,792,087	20,384,795
Capital assets, net of accumulated depreciation of \$76,454 and \$74,185 in 2021 and 2020, respectively	<u>19</u>	<u>2,288</u>
Total assets	<u>\$ 26,650,472</u>	<u>20,605,750</u>
Liabilities		
Liabilities:		
Accounts payable	\$ 1,062,256	732,272
Accrued salaries, wages and related taxes	74,902	75,441
Other accrued liabilities	41,130	37,029
Deferred revenue	896,697	958,656
Federal loan payable	<u>-</u>	<u>61,976</u>
Total liabilities	2,074,985	1,865,374
Net position:		
Invested in capital assets	19	2,288
Restricted	43,400	20,000
Unrestricted	<u>24,532,068</u>	<u>18,718,088</u>
Total net position	<u>24,575,487</u>	<u>18,740,376</u>
Total liabilities and net position	<u>\$ 26,650,472</u>	<u>20,605,750</u>

FLORIDA EDUCATION FUND, INC.

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Grants, appropriations and contracts	\$ 4,168,888	3,980,517
Contributions, including \$23,400 of restricted contributions in 2021	287,855	32,943
Investment return, excluding unrealized gains	905,897	428,083
Program service fees	914	30,393
Other	2,857	398
Total operating revenues	5,366,411	4,472,334
Operating expenses:		
Program services:		
McKnight Doctoral Fellowships	2,541,172	2,664,826
McKnight Junior Faculty Fellowships	253,502	94,274
Centers of Excellence	585,237	748,258
Total operating expenses	3,379,911	3,507,358
Supporting services:		
General and administrative	472,766	491,972
Fundraising	15,518	12,620
Total operating expenses	488,284	504,592
Total operating expenses	3,868,195	4,011,950
Change in net position from operating activities	1,498,216	460,384
Other changes:		
Unrealized gains on investments	4,336,895	537,570
Change in net position	5,835,111	997,954
Net position, beginning of year	18,740,376	17,742,422
Net position, end of year	\$ 24,575,487	18,740,376

FLORIDA EDUCATION FUND, INC.

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from grantors	\$ 4,014,280	3,997,203
Receipts from donors	287,855	32,943
Receipts from others	3,771	30,791
Interest and dividends	220,565	283,199
Payments to students	(2,419,633)	(2,318,797)
Payments to vendors	(100,398)	(733,111)
Payments for salaries, payroll taxes and employee benefits	<u>(1,012,106)</u>	<u>(998,710)</u>
Net cash provided by operating activities	994,334	293,518
Cash flows from noncapital financing activities:		
Proceeds received from federal loan	-	152,246
Net repayments on line of credit	<u>-</u>	<u>(550,000)</u>
Net cash used in noncapital financing activities	-	(397,754)
Cash flows from capital and related financing activities:		
Furniture and equipment additions	<u>-</u>	<u>(1,100)</u>
Net cash used in capital and related financing activities	-	(1,100)
Cash flows from investing activities:		
Purchases of investment securities	(11,270,500)	(11,352,698)
Sales and maturities of investment securities	<u>10,892,117</u>	<u>11,274,369</u>
Net cash used in investing activities	<u>(378,383)</u>	<u>(78,329)</u>
Net increase (decrease) in cash and cash equivalents	615,951	(183,665)
Cash and cash equivalents at beginning of year	<u>125,109</u>	<u>308,774</u>
Cash and cash equivalents at end of year	\$ <u><u>741,060</u></u>	\$ <u><u>125,109</u></u>
Reconciliation of change in net position from operating activities to net cash provided by operating activities:		
Change in net position from operating activities	\$ 1,498,216	460,384
Adjustments to reconcile change in net position from operating activities to net cash provided by operating activities:		
Depreciation	2,269	4,402
Net realized gains on investments	(692,014)	(153,616)
Noncash grant revenue	(61,976)	(90,270)
Decrease in accrued investment income	6,682	8,732
Decrease (increase) in receivables and other assets	(30,430)	184,707
Increase (decrease) in accounts payable, accrued salaries, wages and related taxes, and other accrued liabilities	333,546	(43,134)
Decrease in deferred revenue	<u>(61,959)</u>	<u>(77,687)</u>
Net cash provided by operating activities	\$ <u><u>994,334</u></u>	\$ <u><u>293,518</u></u>

See accompanying independent auditors' report and notes to basic financial statements.

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Description of Organization

The Florida Education Fund, Inc. (FEF) is a not-for-profit corporation created by *Florida Statute 240.498* effective July 1, 1987 to maintain and enhance higher education in the State of Florida through cooperation with institutions of higher learning in the State. FEF is a component unit of the State of Florida and is to be governed by a board comprised of 12 members that are appointed by the State of Florida and up to 5 members from the private sector who are appointed by the Board.

Gifts of \$10,000,000 from the McKnight Foundation and \$5,000,000 from the State of Florida were made over a period of two years, commencing July 1, 1985. As of July 1, 1987, the gifts and earnings which had accumulated on investments, totaling \$16,644,884, were transferred to FEF from the Florida Association of Colleges and Universities, Inc. It was the original intent that FEF would operate from investment earnings on the original amount of gifts. However, FEF has used a portion of these gifts to fund operations after receiving a legal interpretation from FEF's counsel that this was not prohibited.

(b) Reporting Entity

In defining FEF for financial reporting purposes, management has applied the requirements of GASB No. 14, *The Financial Reporting Entity*, and GASB No. 61, *The Financial Reporting Entity, Omnibus*. These statements establish the basis for the reporting entity and whether it is considered a component unit of another entity. FEF would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and: (1) is able to impose its will on the potential component unit and/or (2) is fiscally dependent and is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit's board. Chapter 1009.70 of the Florida Statutes requires that six of a minimum of twelve board members will be appointed by the Governor, the President of the Senate and the Speaker of the House of Representatives. FEF is financially dependent on an annual appropriation from the State of Florida to support the McKnight Doctoral Fellowship Program. Therefore, FEF meets the financial accountability criteria necessary to be considered a component unit of the State of Florida.

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(c) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, and the economic resources measurement focus, have been prepared to focus on Florida Education Fund, Inc. as a whole. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred. FEF applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in accounting and financial reporting for its operations. As allowed by governmental accounting standards, FEF has elected not to apply FASB pronouncements, and subsequent FASB Accounting Standards Codification guidance, issued after that date.

FEF follows the provisions of the Governmental Accounting Standards Board (GASB). Accordingly, FEF's financial statements are presented as an enterprise fund, as they are considered a special purpose government engaged solely in business-type activities.

(d) Operating Measure

The change in net position from operating activities represents the revenues designated to operate FEF, less expenses and other costs associated with FEF's operating activities. FEF does not budget unrealized gains (losses) related to its investment activities, and these amounts, therefore, are excluded from the change in net position from operating activities.

(e) Liquidity

Assets are presented in the accompanying statements of net position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

(f) Cash Equivalents

For purposes of the statements of cash flows, FEF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(g) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of net position. Investments in common collective trusts are reported at the net asset value (NAV) per share of the investment, as a practical expedient for a fair value measurement, if (a) the underlying investment manager's calculation of NAV is fair value based, and (b) the NAV has been calculated by the fund manager as of the Organization's fiscal year end date.

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(h) Capital Assets

Capital assets consist of furniture and equipment and are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 10 years.

(i) Deferred Revenue

Deferred revenue represents funds received from governmental appropriations and other contracts which have not been earned at June 30, 2021 and 2020, respectively.

(j) Restricted Net Position

The use of certain assets is restricted by donors. Until such time as the assets are expended for their restricted purpose, they are classified as restricted net position in the statements of net position.

(k) Functional Allocation of Expenses

The costs of providing the various programs, fund raising and other activities include certain costs which have been allocated to the programs and fund-raising activities benefitted.

(l) Income Taxes

Florida Education Fund, Inc. is generally exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

(m) Use of Estimates

The preparation of financial statements requires management of FEF to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

(2) Cash, Cash Equivalents and Investments

At June 30, 2021 and 2020, the carrying amount of FEF's bank deposits were \$741,060 and \$125,109, respectively, and the bank balances totaled \$879,693 and \$297,442 respectively. The bank balances, excluding the uninvested cash in money market savings accounts included in the investments below, were covered by federal depository insurance or were insured through the State of Florida public depository collateral pool.

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(2) Cash, Cash Equivalents and Investments - Continued

As of June 30, 2021, FEF had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Common stock	N/A	\$ 7,910,722
Equity mutual funds	N/A	5,566,733
Exchange traded funds	N/A	524,495
Corporate bonds	April 2022 - June 2050	3,573,515
Fixed income mutual funds	N/A	576,327
U.S. Treasury Notes	December 2022 - August 2040	1,287,949
Federal National Mortgage Association	January 2035 - June 2051	645,356
Federal Home Loan Mortgage Corp.	December 2035 - May 2051	310,260
Government authority bonds	July 2023 - June 2051	668,355
Real estate investment trusts (REIT)	N/A	57,336
Collective trust fund	N/A	3,978,874
Uninvested cash - money market mutual funds and bank notes	N/A	<u>692,165</u>
		<u>\$ 25,792,087</u>

FEF's investment policy authorizes investments in U.S. government obligations and direct obligations of U.S. government agencies, short term money market accounts composed of treasury bills, certificates of deposit and bankers' acceptance notes, and equities. The policy specifically prohibits investment in certain items such as short sales, letter stock, private placements, leveraged transactions, securities not readily marketable, limited partnerships, and non-U.S. dollar denominated securities. However, the board of directors may grant specific exceptions from time to time.

The components of net investment return for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Investment income	\$ 367,890	405,286
Net realized gains	692,014	153,616
Net unrealized gains	<u>4,336,895</u>	<u>537,570</u>
	5,396,799	1,096,472
Investment fees	<u>(154,007)</u>	<u>(130,819)</u>
	<u>\$ 5,242,792</u>	<u>965,653</u>

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(2) Cash, Cash Equivalents and Investments - Continued

(a) Interest Rate Risk

FEF does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses from increasing interest rates. FEF has no investments that include embedded options in which an issuer could call their obligation or change the interest rate.

(b) Credit Risk

FEF's investment policy limits investments to an asset allocation of 60% equities, 30% fixed income and 10% cash and cash equivalents. The equities and bond managers may assign no more than 5% of their funds to any one issue. A fluctuation of 10% above or below approved asset allocation percentages are considered reasonable due to market value fluctuations. The cash and cash equivalents allocation was approximately 3% at June 30, 2021. The investment policy includes a desired investment objective of a long-term rate of return on assets that is at least 8.5%.

The uninvested cash in money market savings accounts is held by an institution which is insured through the State of Florida public depository collateral pool. Certain government authority bonds representing 1.69% of total investments are not rated by a nationally recognized statistical rating agency.

The distribution of securities with credit exposure as a percentage of total investments is as follows:

<u>Investment</u>	<u>Credit Rating</u>	<u>Percentage of Total Investments</u>
Corporate bonds	AAA	0.49%
Corporate bonds	AA	1.83%
Corporate bonds	A	3.03%
Corporate bonds	BBB	5.47%
Federal National Mortgage Association	AA	2.50%
Federal Home Loan Mortgage Corp.	AA	1.20%
Government authority bonds	AAA	0.00%
Government authority bonds	AA	0.41%
Government authority bonds	A	0.36%
Government authority bonds	BBB	0.13%
Government authority bonds	No rating	1.69%
U.S. Treasury Notes	AAA	0.66%
U.S. Treasury Notes	AA	4.34%
U.S. Treasury Notes	A	0.00%

(c) Custodial Credit Risk

FEF does not have a formal investment policy that addresses custodial credit risk.

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(2) Cash, Cash Equivalents and Investments - Continued

(d) Concentration of Market Risk

FEF has a formal investment policy that limits the amount that FEF may invest in any one equity issue as no more than 5% of their respective equity funds.

(e) Foreign Currency Risk

FEF's investment policy prohibits investments in non-U.S. dollar denominated securities.

(3) Unrestricted Net Position

Unrestricted net position consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net position	\$ 9,532,068	3,718,088
Contribution - State of Florida	5,000,000	5,000,000
Contribution - McKnight Foundation	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 24,532,068</u>	<u>18,718,088</u>

(4) Line of Credit

FEF has a line of credit available with a bank which allows FEF to borrow up to \$2,000,000 at 1.60% interest at June 30, 2021. Amounts drawn on the line of credit are due on demand. The outstanding balance on the line of credit was \$0 at June 30, 2021 and 2020. The line of credit is collateralized by substantially all of the assets of FEF. Activity on the line of credit for the year ended June 30, 2021 consisted of the following:

Balance as of July 1, 2020	\$ -
Borrowings	200,000
Repayments	<u>(200,000)</u>
Balance as of June 30, 2021	<u>\$ -</u>

(5) Federal Loan Payable

FEF applied for and received a forgivable Paycheck Protection Program (PPP) Loan of \$152,246 as provided under the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act and the loan was funded on May 14, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through October 29, 2020 and that certain employment levels are maintained.

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(5) Federal Loan Payable - Continued

To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due on May 1, 2022 and carries an interest rate of 1%. During the years ended June 30, 2021 and 2020, FEF used \$61,976 and \$90,270, respectively, for qualifying expenses and which have been recognized as grant revenue in the corresponding fiscal years. FEF received notification that their PPP loan was forgiven in full on January 28, 2021.

(6) Lease Commitments

FEF leases office space under a non-cancellable operating lease, expiring in September 2023. Rent expense, including other month-to-month leases, was approximately \$93,000 and \$91,000 for the years ended June 30, 2021 and 2020, respectively. Future minimum lease payments under the non-cancellable operating lease as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 84,401
2023	86,933
2024	<u>21,893</u>
	<u>\$ 193,227</u>

(7) Grants, Appropriations and Contracts

The following is a summary of grants, appropriations, and contracts earned during the years ended June 30, 2021 and 2020:

	2021	2020
State:		
McKnight Centers of Excellence	\$ 300,000	300,000
McKnight Doctoral Fellowships	3,500,000	3,000,000
The College Board	10,000	20,000
Opa-Locka Community Development Corp.	228,618	477,651
Children's Board Wimauma	3,527	6,909
Children's Board Gibsonton	2,808	-
Economic Injury Disaster advance	-	8,000
Paycheck Protection Program loan forgiveness	61,976	90,270
Other	<u>61,959</u>	<u>77,687</u>
	<u>\$ 4,168,888</u>	<u>3,980,517</u>

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(8) Retirement Plan

FEF has adopted a single employer-defined contribution plan under Internal Revenue Code Section 403(b). FEF's Board of Directors authorizes contributions at their discretion on behalf of all eligible participants. Participating employees can make elective contributions that are limited by the Internal Revenue Code. Contributions of approximately \$54,000 and \$53,000 were made by FEF during the years ended June 30, 2021 and 2020, respectively.

(9) Fair Value Measurements

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, FEF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets as of the reporting date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations are determined through inputs other than quoted prices in active markets that are observable either directly or indirectly for similar assets and liabilities.

Level 3: Valuations are determined through inputs which are based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurement.

GASB requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair values for common stocks and equity mutual funds and fixed income mutual funds are based on quoted prices for identical assets in active markets. Fair values for corporate debt securities and U.S. government and agency securities when available are based on quoted prices for similar assets in markets that may not be active. Common collective trusts and alternative investments are public and private investment vehicles valued using the unit price provided by the fund, minus its liabilities, and then divided by the number of shares or units outstanding.

Investments that are measured at fair value using the net asset value (or its equivalent) practical expedient have not been classified in the fair value hierarchy below. The following tables reconcile the Organization's investments at fair value within the fair value hierarchy to total investments at fair value as reported in the accompanying statements of net position as of June 30, 2021 and 2020, respectively.

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(9) Fair Value Measurements - Continued

FEF has the following recurring fair value measurements as of June 30, 2021:

<u>Description</u>	<u>Fair Value Measurements at June 30, 2021</u>			
	<u>Fair Value as of June 30, 2021</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments measured at fair value:				
Money market funds	\$ 692,165	692,165	-	-
Equity securities:				
U.S. large cap	9,809,866	9,809,866	-	-
U.S. mid cap	1,303,965	1,303,965	-	-
U.S. small cap	667,785	667,785	-	-
International	956,572	956,572	-	-
Emerging markets	695,599	695,599	-	-
Other	43,668	43,668	-	-
Debt securities:				
Corporate bonds	3,573,515	-	3,573,515	-
Fixed income mutual funds	576,327	576,327	-	-
U.S. government and agency obligations	2,911,920	-	2,911,920	-
Other:				
Exchange traded funds	524,495	524,495	-	-
Real estate investment trust	57,336	57,336	-	-
	<u>21,813,213</u>	<u>15,327,778</u>	<u>6,485,435</u>	<u>-</u>
Investments measured at NAV:				
Common collective trust	<u>3,978,874 (a)</u>			
	<u>\$ 25,792,087</u>			

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(9) Fair Value Measurements - Continued

FEF has the following recurring fair value measurements as of June 30, 2020:

<u>Description</u>	<u>Fair Value Measurements at June 30, 2020</u>			
	<u>Fair Value as of June 30, 2020</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments measured at fair value:				
Money market funds	\$ 938,853	938,853	-	-
Equity securities:				
U.S. large cap	7,099,265	7,099,265	-	-
U.S. mid cap	727,963	727,963	-	-
U.S. small cap	309,371	309,371	-	-
International	443,187	443,187	-	-
Emerging markets	355,525	355,525	-	-
Other	44,233	44,233	-	-
Debt securities:				
Corporate bonds	2,651,025	-	2,651,025	-
Fixed income mutual funds	422,943	422,943	-	-
U.S. government and agency obligations	4,088,917	-	4,088,917	-
Other:				
Exchange traded funds	464,444	435,112	29,332	-
Real estate investment trust	79,195	79,195	-	-
	<u>17,624,921</u>	<u>10,855,647</u>	<u>6,769,274</u>	<u>-</u>
Investments measured at NAV:				
Common collective trust	<u>2,759,874 (a)</u>			
	<u>\$ 20,384,795</u>			

(a) *Common Collective Trust*: This type includes common trust funds for the collective investment of assets of the fund manager's institutional trust clients. The fund is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Russell 3000® Index.

(10) Contingencies

FEF is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes FEF is in compliance with the terms of its grant agreements.

FLORIDA EDUCATION FUND, INC.

Notes to Financial Statements - Continued

(11) Risks and Uncertainties

The novel coronavirus (“COVID-19”) spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts will likely affect operations through the remainder of 2021, although such effects may vary significantly. FEF has experienced an increase in stipend deferrals from scholarship students since the pandemic declaration and management anticipates this trend to continue for the remainder of 2021. In addition, FEF’s investment portfolio has incurred significant volatility in fair value since March 2020. The duration and extent of the pandemic and its effects over longer terms cannot be reasonably estimated as of the date the financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of the curtailment of various business and societal activities and the long-term effect on the demand for FEF’s programs. Accordingly, significant estimates used in the preparation of the financial statements including those associated with evaluations of certain long-lived assets for impairment and expected credit losses on amounts owed to the entity may be subject to significant adjustments in future periods.

(12) Subsequent Events Review

FEF has evaluated subsequent events through December 2, 2021, the date the financial statements were available for issuance.

FLORIDA EDUCATION FUND, INC.

Schedule of Operating Activities by Program

**Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	Program Services				Supporting Services			Total	
	McKnight Doctoral Fellowships	McKnight Junior Faculty Fellowships	Centers of Excellence	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2021	2020
	Operating revenues:								
Grants, appropriations, and contracts	\$ 3,561,959	-	544,953	4,106,912	61,976	-	61,976	4,168,888	3,980,517
Contributions	100,000	-	25,100	125,100	127,958	34,797	162,755	287,855	32,943
Investment return	905,897	-	-	905,897	-	-	-	905,897	428,083
Program service fees	-	-	914	914	-	-	-	914	30,393
Other	-	-	-	-	2,857	-	2,857	2,857	398
Total operating revenues	4,567,856	-	570,967	5,138,823	192,791	34,797	227,588	5,366,411	4,472,334
Operating expenses:									
Student support:									
McKnight Doctoral Fellowships	2,015,656	-	-	2,015,656	-	-	-	2,015,656	2,081,353
McKnight Junior Faculty Fellowships	-	240,000	-	240,000	-	-	-	240,000	90,000
Centers of Excellence	-	-	168,078	168,078	-	-	-	168,078	140,345
Operating expenses:									
Salaries and related expenses	418,079	12,651	263,569	694,299	305,101	12,167	317,268	1,011,567	1,010,902
Professional fees	25,795	184	3,133	29,112	114,686	669	115,355	144,467	142,016
Contract services	140	-	69,618	69,758	8,205	-	8,205	77,963	320,353
Office supplies	-	-	7,104	7,104	5,680	-	5,680	12,784	8,000
Printing and copying	327	2	35	364	263	5	268	632	1,429
Postage and shipping	1,123	7	136	1,266	553	14	567	1,833	2,826
Occupancy costs	71,249	599	16,817	88,665	20,685	1,093	21,778	110,443	112,591
Telephone	6,645	48	2,284	8,977	866	96	962	9,939	9,777
Dues, memberships, and subscriptions	145	-	7,377	7,522	9,029	-	9,029	16,551	14,673
Advertising	-	-	1,407	1,407	-	-	-	1,407	-
Travel	-	-	1,397	1,397	20	-	20	1,417	24,481
Hotel and meals	-	-	1,114	1,114	1,039	-	1,039	2,153	3,406
Depreciation	1,588	11	193	1,792	454	23	477	2,269	4,402
Other	425	-	42,975	43,400	6,185	1,451	7,636	51,036	45,396
Total operating expenses	2,541,172	253,502	585,237	3,379,911	472,766	15,518	488,284	3,868,195	4,011,950
Changes in net position from operating activities	\$ <u>2,026,684</u>	<u>(253,502)</u>	<u>(14,270)</u>	<u>1,758,912</u>	<u>(279,975)</u>	<u>19,279</u>	<u>(260,696)</u>	<u>1,498,216</u>	<u>460,384</u>

**REPORTS AND SCHEDULES AS REQUIRED BY CHAPTER 10.650,
*RULES OF THE AUDITOR GENERAL***



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

The Board of Directors
Florida Education Fund, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Education Fund, Inc. (a nonprofit organization), which comprise the statement of net position as of June 30, 2021 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida Education Fund, Inc.'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 Florida Education Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Florida Education Fund, Inc.'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive, professional style.

December 2, 2021
St. Petersburg, Florida



**Independent Auditors' Report on Compliance for Each Major State Project
and on Internal Control Over Compliance Required by Chapter 10.650,
Rules of the Auditor General**

The Board of Directors
Florida Education Fund, Inc.:

Report on Compliance for Major State Project

We have audited Florida Education Fund, Inc.'s compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on Florida Education Fund, Inc.'s major State project for the year ended June 30, 2021. Florida Education Fund, Inc.'s major State project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State project.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Florida Education Fund, Inc.'s major State project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about Florida Education Fund, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State project. However, our audit does not provide a legal determination of Florida Education Fund, Inc.'s compliance.

Opinion on Major State Project

In our opinion, Florida Education Fund, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State project for the year ended June 30, 2021.



Report on Internal Control Over Compliance

Management of Florida Education Fund, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Florida Education Fund, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Florida Education Fund, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



December 2, 2021
St. Petersburg, Florida

FLORIDA EDUCATION FUND, INC.

Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2021

<u>Grantor/Program Title</u>	<u>Contract/ Grant Number</u>	<u>State CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Transfers to Subrecipients</u>
<i>Department of Education and Commissioner of Education</i>				
Florida Education Fund				
Fiscal 2020-2021 Specific Appropriation 76	n/a	48.070	\$ 3,500,000	-
Subtotal - Department of Education and Commissioner of Education			<u>3,500,000</u>	<u>-</u>
Total expenditures of state financial assistance			<u>\$ 3,500,000</u>	<u>-</u>

FLORIDA EDUCATION FUND, INC.

Notes to Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2021

(1) General

The accompanying schedule of expenditures of state financial assistance presents the activity of all state projects of Florida Education Fund, Inc. All state projects passed through other government agencies are included in the accompanying schedule.

(2) Basis of Presentation

The accompanying schedule of expenditures of state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

FLORIDA EDUCATION FUND, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

(A) Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Florida Education Fund, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Florida Education Fund, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major state project are reported in the Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Auditor General*.
5. The auditors' report on compliance for the major state project for Florida Education Fund, Inc. expresses an unmodified opinion on the major state project.
6. Audit findings, if any, that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*, are reported in Part C. of this schedule.
7. The project tested as a major state project was:
Florida Education Fund (CSFA 48.070)
8. The threshold for distinguishing Types A and B projects was \$750,000 for major state projects.

(B) Findings - Audit of Financial Statements

None.

(C) Findings and Questioned Costs - Major State Financial Assistance Project Audit

None.

(D) Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to state projects. A Corrective Action Plan is not required because there were no findings required to be reported under the Florida Single Audit Act.



The Board of Directors
Florida Education Fund, Inc.:

Report on Financial Statements

We have audited the financial statements of Florida Education Fund, Inc. as of and for the year ended June 30, 2021, and have issued our report thereon dated December 2, 2021.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the State of Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, our Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the State of Florida Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 2, 2021, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not identify any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

December 2, 2021
St. Petersburg, Florida

