

**NORTHWEST FLORIDA STATE COLLEGE  
FOUNDATION, INC.**

**A COMPONENT UNIT OF  
NORTHWEST FLORIDA STATE COLLEGE**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2021 AND 2020**

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Northwest Florida State College Foundation, Inc.  
Niceville, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Northwest Florida State College Foundation, Inc. (the "Foundation"), a direct support organization and component unit of the Northwest Florida State College as of and for the years ended June 30, 2021 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Foundation as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof 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 the management's discussion and analysis on pages 3 through 10 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
November 19, 2021

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**  
**(Unaudited)**

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**INTRODUCTION**

The following discussion and analysis provides an overview of the financial position and activities of the Northwest Florida State College Foundation, Inc. (the "Foundation") for the fiscal year ended June 30, 2021, with comparative information for fiscal years ending 2020 and 2019, and should be read in conjunction with the financial statements and notes thereto. This report includes financial statements presented and prepared with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) as this is the presentation used in the Northwest Florida State College (the "College") Annual Financial Report. Foundation management has prepared the financial statements and related note disclosures along with the discussion and analysis. The responsibility for the completeness and fairness of this information rests with Foundation management.

The Foundation is a Florida not-for-profit corporation formed in 1988 to encourage, solicit, receive and administer gifts and bequests of property and funds to support the College and advance its mission and objectives. The Foundation is a direct support organization of the College.

**FINANCIAL HIGHLIGHTS**

The Foundation's financial position remained strong at June 30, 2021, with total assets of \$65,472,128 and liabilities of \$31,617, resulting in a net position of \$65,440,511 at June 30, 2021. Net position increased from July 1, 2020 to June 30, 2021 by 24.50%.

The Foundation's investments showed a gain (net of fees) of approximately 29.35% from July 1, 2020 to June 30, 2021.

**USING THIS ANNUAL REPORT**

The financial statements consist of three basic financial statements: (1) the statement of net position; (2) the statement of revenues, expenses and changes in net position; and (3) the statement of cash flows. These financial statements are prepared in accordance with GASB accounting principles and guidelines, which establish standards for external financial reporting for public colleges, universities and other governmental entities. The Foundation is required to prepare its annual report in accordance with GASB due to its formation under Florida Statute 1004.70 and the component unit relationship with the College. These statements present a long-term view of the Foundation's finances.

**THE STATEMENT OF NET POSITION**

The statement of net position presents the financial position of the Foundation at the end of the fiscal year and includes all assets and liabilities of the Foundation. The difference between total assets and total liabilities – net position – is an indicator of the current financial condition of the Foundation. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical costs less an allowance for depreciation.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**  
**(Unaudited)**

A summarized comparison of the Foundation's assets, liabilities and net position at June 30, 2021, June 30, 2020, and June 30, 2019 is presented in the following table:

**NET ASSETS**  
(In Thousands)

	Foundation		
	June 2021	June 2020	June 2019
<b>Assets</b>			
Current assets	\$ 24,874	\$ 14,216	\$ 14,975
Capital assets, net	3,463	3,611	3,745
Other non-current assets	37,135	34,784	34,915
<b>Total Assets</b>	<b>\$ 65,472</b>	<b>\$ 52,611</b>	<b>\$ 53,635</b>
<b>Liabilities</b>			
Current liabilities	\$ 31	\$ 47	\$ 108
<b>Total Liabilities</b>	<b>\$ 31</b>	<b>\$ 47</b>	<b>\$ 108</b>
<b>Net Position</b>			
Invested in capital assets	\$ 3,463	\$ 3,611	\$ 3,745
Restricted	62,819	50,594	51,355
Unrestricted	(841)	(1,641)	(1,573)
<b>Total Net Position</b>	<b>65,441</b>	<b>52,564</b>	<b>53,527</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 65,472</b>	<b>\$ 52,611</b>	<b>\$ 53,635</b>

Current assets primarily consist of cash, cash equivalents, accounts receivables and investments. Non-current assets consist of net capital assets and endowment investments. A review of the Foundation's statement of net position at June 30, 2021 and June 30, 2020 shows that the Foundation net position increased by 24.50% from year to year.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**  
**(Unaudited)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The Foundation capitalizes assets with a value of \$5,000 and greater for financial reporting purposes. As of June 30, 2021, there was \$3.5 million invested in capital assets net of accumulated depreciation. Capital assets of the Foundation at June 30, 2021, June 30, 2020, and June 30, 2019 are presented in the following table:

**CAPITAL ASSETS**

(In Thousands)

<b>Capital Assets</b>	Foundation		
	<u>June 2021</u>	<u>June 2020</u>	<u>June 2019</u>
Non-depreciable capital assets:			
Land	<b>\$ 254</b>	\$ 254	\$ 254
<b>Total Non-Depreciable Capital Assets</b>	<b><u>254</u></b>	<u>254</u>	<u>254</u>
Depreciable capital assets:			
Apartment buildings	<b>3,209</b>	3,357	3,491
<b>Total Depreciable Capital Assets, Net of Depreciation</b>	<b><u>3,209</u></b>	<u>3,357</u>	<u>3,491</u>
<b>Capital Assets, Net of Depreciation</b>	<b><u><u>\$ 3,463</u></u></b>	<u><u>\$ 3,611</u></u>	<u><u>\$ 3,745</u></u>

**DEBT**

All capital improvements are through internal financing and therefore the Foundation does not carry any long-term debt.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(Unaudited)**

**THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

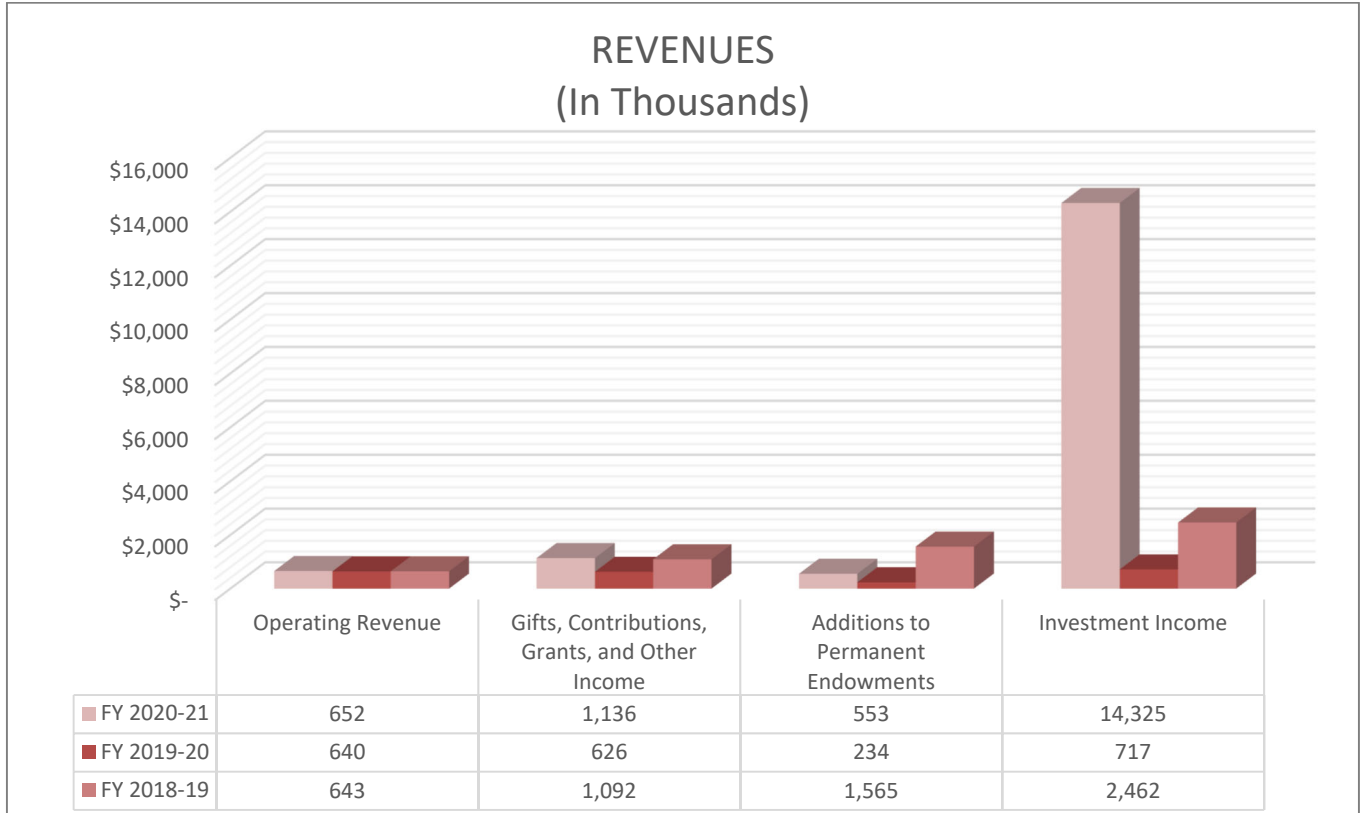
The statement of revenues, expenses and changes in net position presents the Foundation's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or non-operating. A summary of the Foundation's revenues, expenses, and changes in net position for the fiscal years ended June 30, 2021, June 30, 2020, and June 30, 2019 is presented in the following table:

**REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
(In Thousands)

	Foundation		
	June 2021	June 2020	June 2019
Operating Revenues			
Rental income	\$ 619	\$ 583	\$ 582
Membership revenue	33	57	61
Total Operating Revenues	652	640	643
Less Operating Expenses	3,789	3,180	3,618
<b>Operating Loss</b>	<b>(3,137)</b>	<b>(2,540)</b>	<b>(2,975)</b>
Nonoperating Revenues			
Gifts and grants	803	455	1,028
Pledge income	268	130	-
Investment income	1,184	1,301	1,409
Realized gain (loss) on investments	2,572	1,839	1,304
Unrealized gain (loss) on investments	10,569	(2,423)	(251)
Miscellaneous income	65	42	64
<b>Nonoperating Revenues</b>	<b>15,461</b>	<b>1,344</b>	<b>3,554</b>
<b>Gain (Loss) Before Additions to Permanent Endowments</b>	<b>12,324</b>	<b>(1,196)</b>	<b>579</b>
<b>Additions to Permanent Endowments</b>	<b>553</b>	<b>234</b>	<b>1,565</b>
<b>Increase (Decrease) in Net Assets</b>	<b>12,877</b>	<b>(962)</b>	<b>2,144</b>
<b>Net Position, Beginning of Year</b>	<b>52,564</b>	<b>53,526</b>	<b>51,382</b>
<b>Net Position, End of Year</b>	<b>\$ 65,441</b>	<b>\$ 52,564</b>	<b>\$ 53,526</b>
<b>Increase (Decrease) in Net Assets</b>	<b>24.50%</b>	<b>-1.80%</b>	<b>4.17%</b>

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(Unaudited)**

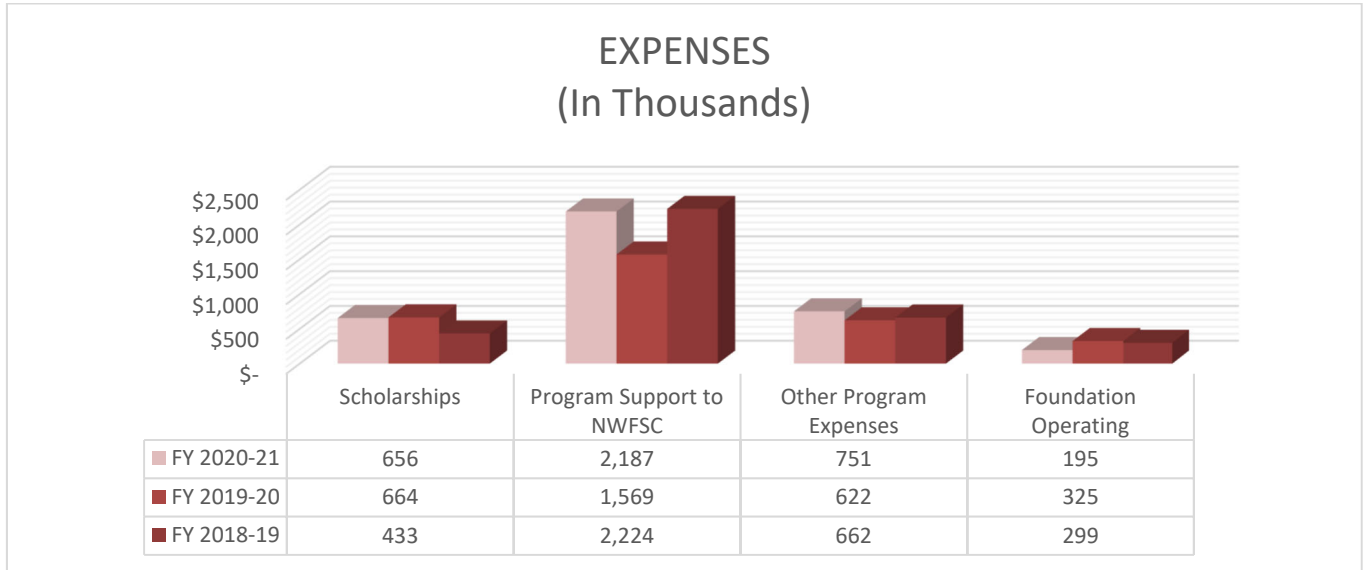
The following is a graphical presentation of Foundation revenues for fiscal year ended June 30, 2021, as compared to fiscal years ended June 30, 2020 and June 30, 2019:



Operating revenue remained fairly consistent from fiscal year 2020 to 2021 increasing by \$12 thousand dollars. Total gifts, contributions, grants and other income increased \$510 thousand. Additions to permanent endowments increased by \$319 thousand from the prior year. Investment income showed a significant increase of over \$13.6 million from 2020 to 2021, which is attributed to increased market returns during the year.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(Unaudited)**

In addition to presenting expenses by natural classification, as shown on the statement of revenues, expenses and changes in net position, it is also informative to review operating expenses by functional activity. A comparative summary of Foundation expenses by functional classification for fiscal years 2021, 2020, and 2019 are shown in the following table:



Overall expenses increased \$609 thousand from 2020 to 2021. In total, program support increased \$618 thousand and scholarship expenses paid to the College decreased by \$8 thousand from fiscal year 2020 to 2021. Both types of expense allocations, program support and scholarships, are funded primarily by endowment earnings in accordance with the Foundation’s spending policy – awards of up to 4%, calculated by using the average of the prior three year-end balances for each endowment when earnings are available.

Other program expenses, not transferred to the College but expended through the Foundation for program initiatives, including those associated with managing the College Courtyard apartment complex, increased \$129 thousand.

Foundation operating expenses decreased \$130 thousand from 2020 to 2021. Expenses associated with the major gifts campaign came to a halt due to suspending the campaign at the beginning of the pandemic.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**  
**(Unaudited)**

**THE STATEMENT OF CASH FLOWS**

The statement of cash flows provides additional information about the Foundation's financial results by reporting the major sources and uses of cash. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

A comparative summary of the statement of cash flows for the Foundation for the fiscal years ended June 30, 2021, June 30, 2020, and June 30, 2019 is shown in the following table:

**CASH FLOWS**  
(In Thousands)

	Foundation		
	June 2021	June 2020	June 2019
<b>Cash Provided (Used) by:</b>			
Operating activities	\$ (3,009)	\$ (2,229)	\$ (2,813)
Noncapital and capital financing activities	1,559	815	2,134
Investing activities	1,109	1,867	533
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(341)</b>	453	(146)
<b>Cash and Cash Equivalents, Beginning of the Year</b>	<b>645</b>	192	338
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 304</b>	\$ 645	\$ 192

The Foundation's liquidity remained stable during the reporting year. For the purpose of cash flows, the Foundation considers cash equivalents to include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The following discussion presents an overview of cash flows:

During the fiscal year ended June 30, 2021, cash and cash equivalents decreased \$341 thousand. The Foundation has adequate funds on hand to pay invoices upon demand and approval.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(Unaudited)**

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**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic position of the Northwest Florida State College Foundation is closely tied to Okaloosa and Walton Counties and the State of Florida.

Investment income plays a key role in generating revenues for the Foundation. Also tied to investment earnings is the ability to provide scholarships and program support to Northwest Florida State College through various endowments. Foundation investment accounts remain well-diversified and moderately invested, targeting 55% equity and 30% fixed income, with the remainder in alternative investments and cash.

The Foundation's Board of Directors and management carefully monitor the status of all endowed funds, particularly those underwater funds in which the total fund balance is less than the corpus, or principal. Foundation policy states that endowments with a fair market value below corpus will receive no spending allocation. This deficit can only be overcome through positive investment earnings. From fiscal year 2016 to 2021, the number of underwater funds dropped from 15 to zero. As of June 30, 2021, the Foundation held 323 endowed funds. Of these funds, zero were in an underwater status.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Foundation's finances for all those with an interest in the Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Foundation.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF NET POSITION**

		June 30,	
		2021	2020
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$	304,350	\$ 645,392
Accounts receivable		-	3,000
Due from college		10,487	783
Prepaid expenses and other current assets		28,585	25,145
Total current assets		<u>343,422</u>	<u>674,320</u>
Restricted current assets			
Pledge receivable		211,862	116,318
Investments, nonendowed		24,319,447	13,425,726
Total restricted current assets		<u>24,531,309</u>	<u>13,542,044</u>
Noncurrent assets			
Pledge receivable, long-term		246,036	216,186
Endowment investments		36,888,726	34,567,526
Nondepreciable capital assets		254,001	254,001
Depreciable capital assets, net		3,208,634	3,357,083
Total noncurrent assets		<u>40,597,397</u>	<u>38,394,796</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>65,472,128</u></b>	<b>\$ <u>52,611,160</u></b>
<b>LIABILITIES AND NET POSITION</b>			
Current liabilities			
Accounts payable	\$	3,474	\$ 25,783
Due to college		28,143	21,534
Total current liabilities		<u>31,617</u>	<u>47,317</u>
<b>TOTAL LIABILITIES</b>		<u>31,617</u>	<u>47,317</u>
<b>NET POSITION</b>			
Investment in capital assets		3,462,635	3,611,084
Restricted, nonexpendable, endowment		37,721,413	37,168,340
Restricted, other		25,097,688	13,425,726
Unrestricted		(841,225)	(1,641,307)
Total net position		<u>65,440,511</u>	<u>52,563,843</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$</b>	<b><u>65,472,128</u></b>	<b>\$ <u>52,611,160</u></b>

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

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Year Ended June 30,	
	2021	2020
Operating revenues		
Rental income	\$ 619,162	\$ 582,959
Membership revenue	33,180	57,475
Total operating revenues	<u>652,342</u>	<u>640,434</u>
Operating expenses		
Scholarships and waivers	656,205	663,719
Utilities and communications	127,769	114,505
Other services and expenses	639,147	637,579
Support to college	2,187,487	1,568,870
Materials and supplies	25,317	41,679
Depreciation	153,366	153,608
Total operating expenses	<u>3,789,291</u>	<u>3,179,960</u>
Operating loss	<u>(3,136,949)</u>	<u>(2,539,526)</u>
Nonoperating revenues		
Gifts and grants	1,071,404	584,662
Investment income	1,183,607	1,301,273
Other income	65,035	40,979
Realized gain on investments	2,571,575	1,839,010
Net unrealized gain (loss) on investments	10,568,923	(2,423,387)
Total nonoperating revenues	<u>15,460,544</u>	<u>1,342,537</u>
Gain (loss) before additions to permanent endowments	12,323,595	(1,196,989)
Additions to permanent endowments	<u>553,073</u>	<u>234,263</u>
Increase (decrease) in net position	12,876,668	(962,726)
Net position, beginning of the year	<u>52,563,843</u>	<u>53,526,569</u>
Net position, end of the year	<u>\$ 65,440,511</u>	<u>\$ 52,563,843</u>

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

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**

	Year Ended June 30,	
	2021	2020
Cash flows from operating activities		
Receipts from other sources	\$ 36,180	\$ 279,334
Receipts from rental income	619,162	582,959
Payments to the College for scholarships	(656,205)	(663,719)
Payments to the College as gifts and contributions	(2,190,582)	(1,637,981)
Payments to suppliers and others	(817,982)	(789,876)
Net cash used in operating activities	<u>(3,009,427)</u>	<u>(2,229,283)</u>
Cash flows from noncapital financing activities		
Gifts and grants received for other than capital or endowment purposes	946,010	560,176
Private gifts for endowment purposes	553,073	234,263
Other	65,035	40,979
Net cash provided by noncapital financing activities	<u>1,564,118</u>	<u>835,418</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(4,917)	(19,668)
Net cash used in capital and related financing activities	<u>(4,917)</u>	<u>(19,668)</u>
Cash flows from investing activities		
Purchase of investments	(7,033,634)	(16,203,249)
Proceeds from sales and maturities of investments	6,959,211	16,769,181
Investment income	1,183,607	1,301,273
Net cash provided by investing activities	<u>1,109,184</u>	<u>1,867,205</u>
Net increase (decrease) in cash and cash equivalents	(341,042)	453,672
Cash at beginning of year	<u>645,392</u>	191,720
Cash at end of year	<u>\$ 304,350</u>	<u>\$ 645,392</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (3,136,949)	\$ (2,539,526)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	153,366	153,608
Changes in assets and liabilities		
Prepaid insurance	(3,440)	(4,602)
Accounts receivable and due from other funds	(6,704)	221,859
Accounts payable and due to college	(15,700)	(60,622)
Net cash used in operating activities	<u>\$ (3,009,427)</u>	<u>\$ (2,229,283)</u>
Noncash investing activities		
Net unrealized gain (loss) on investments	<u>\$ 10,568,923</u>	<u>\$ (2,423,387)</u>

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

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The governing body of the Northwest Florida State College Foundation, Inc. (the "Foundation") is a 28 member Board of Directors that constitutes a corporation. The Board of Directors is directly responsible for the day-to-day operations and control of the Foundation within the framework of applicable state law and State Board of Education rules. The Foundation is a component unit and direct support organization of Northwest Florida State College (the "College") as defined in Section 1004.70, Florida Statutes. The Foundation is legally separate from the College, but is financially accountable to the College. The Foundation receives, holds, invests, and administers property and makes expenditures to or for the benefit of the College.

Basis of Presentation: The Foundation's accounting policies conform to accounting principles generally accepted in the United States of America applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting: The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Foundation's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the Foundation's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The Foundation's principal operating activity is College program support and student scholarships. Operating revenues include rental income and expenses and all fiscal transactions related to College support, Foundation management, fund raising, and depreciation of capital assets. Nonoperating revenues include state appropriations, grants, individual gifts, investment income, and capital funding.

Cash and Cash Equivalents: The amount reported as cash and cash equivalents consists of cash on hand and cash in demand accounts. Cash placed in money market accounts with Merrill Lynch are reported as investments. Cash deposits of the Foundation are held by banks qualified as public depositories under Florida Statute, Chapter 280. Therefore all such deposits are covered by the FDIC limit of \$250,000 or were fully collateralized with securities held by the Foundation's financial institution.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts Receivable: The Foundation records accounts receivable at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. The allowance for doubtful accounts was \$23,000 and \$0 for the years ended June 30, 2021 and 2020, respectively.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of net position. Realized and unrealized gains and losses are included in the statement of revenues, expenses and changes in net position. Investment income includes interest and dividend income and is included in the statement of revenues, expenses and changes in net position separate from gains and losses.

Capital Assets: The Foundation's capital assets consist of land, buildings, furniture, and equipment and are stated at historical cost or estimated fair value if donated or acquired at nominal cost. The Foundation has a capitalization threshold of \$5,000 for capital assets. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buildings	38 Years
Building improvements and equipment	7 Years

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from the estimates.

**NOTE 2. CASH AND INVESTMENTS**

Cash and investments held by the Foundation consisted of the following classifications at June 30:

	<b>2021</b>	2020
Cash and cash equivalents		
Unrestricted	<b>\$ 304,350</b>	\$ 645,392

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

Investments held by the Foundation are reported at fair value and were as follows at June 30 2021:

Investment Type	Fair Value	Investment Maturity in Years			
		Less than 1	1 - 5	6 - 10	More than 10
Cash and cash equivalents	\$ 2,016,220	\$ 2,016,220	\$ -	\$ -	\$ -
Life insurance/annuities	2,472,698	2,472,698	-	-	-
United States Government securities					
United States Government	2,509,550	-	2,230,096	225,639	53,815
<b>Total United States Government securities</b>	<b>2,509,550</b>	<b>-</b>	<b>2,230,096</b>	<b>225,639</b>	<b>53,815</b>
Corporate bonds	8,431,385	830,974	3,733,432	3,866,979	-
Alternative investments	5,171,015	5,171,015	-	-	-
Corporate stocks	33,320,730	N/A	-	-	-
Equities and mutual funds	7,286,575	N/A	-	-	-
<b>Total investments</b>	<b>\$ 61,208,173</b>	<b>\$ 10,490,907</b>	<b>\$ 5,963,528</b>	<b>\$ 4,092,618</b>	<b>\$ 53,815</b>

Investments held by the Foundation are reported at fair value and were as follows at June 30 2020:

Investment Type	Fair Value	Investment Maturity in Years			
		Less than 1	1 - 5	6 - 10	More than 10
Cash and cash equivalents	\$ 2,406,661	\$ 2,406,661	\$ -	\$ -	\$ -
Life insurance/annuities	2,140,921	2,140,921	-	-	-
United States Government securities					
United States Government	1,758,598	-	1,299,791	383,407	75,400
<b>Total United States Government securities</b>	<b>1,758,598</b>	<b>-</b>	<b>1,299,791</b>	<b>383,407</b>	<b>75,400</b>
Corporate bonds	8,811,046	1,219,787	3,998,294	3,592,965	-
Alternative investments	4,671,581	4,671,581	-	-	-
Corporate stocks	23,612,001	N/A	-	-	-
Equities and mutual funds	4,592,444	N/A	-	-	-
<b>Total investments</b>	<b>\$ 47,993,252</b>	<b>\$ 10,438,950</b>	<b>\$ 5,298,085</b>	<b>\$ 3,976,372</b>	<b>\$ 75,400</b>

Investments are managed in accordance with an investment policy. The investment policy sets target allocations of investments of 25% to 45% for fixed income, 45% to 65% for equities, 5% to 15% for alternative investments and 2% to 8% for cash and cash equivalents, in order to reduce risk by investing in a diversified portfolio of financial assets, primarily stock funds, bonds or bond funds, and cash equivalents.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy for the Foundation states at least 50% of the short-term funds shall be invested in instruments having maturities no greater than two years. No more than 25% may be invested in instruments that have maturities greater than two years and less than five years and no more than 25% may be invested in instruments that have maturities greater than five years. The short-term funds are required to be invested in any of the following: obligations of the U.S. Government or agencies, obligations of agencies with implied federal sponsorship and guarantees, certificates of deposit, deposits that are insured by the FDIC, repurchase agreements, money market accounts, or government security mutual funds. The investments meet the Foundation's investment policy restrictions.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Common stocks should be held in seasoned, quality, well-managed, and highly marketable companies whose prospects appear good for growth of earnings, dividends and appreciation. Fixed income securities should be of the four highest bond ratings or the two highest commercial paper ratings. Corporate bonds held by the Foundation were rated as follows at June 30:

	<u>2021</u>	<u>2020</u>	<u>Rating</u>
Corporate bonds	\$ 3,787,463	\$ 4,506,634	AAA to A-
Corporate bonds	<u>4,643,922</u>	<u>4,304,412</u>	BBB+ to BBB -
Total corporate bonds	<u>\$ 8,431,385</u>	<u>\$ 8,811,046</u>	

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's investment policy requires that investments are to be diversified to the extent that no more than 4% of the funds may be invested in any one security, no more than 30% in any one industry and the Foundation should not control more than 10% of the debt or stock in any one company. These restrictions do not apply to obligations of the federal government. As of June 30, 2021, the Foundation does not have a concentration of credit risk.

Custodial Credit Risk: The Foundation will address investment custodial credit risk by permitting brokers that obtained investments for the Foundation to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed available SIPC coverages shall be transferred to the Foundation's custodian.

Foreign Currency Risk: Foreign currency risk is the risk that the changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation's investment policy permits the hedging of non U.S. dollar investments as long as the methods used to do such do not place the investments in a leveraged position, use investment securities purchased or a margin or result in open-hedge positions.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

Fair Value Measurements: The Foundation 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

<u>Investment Type</u>	Fair Value Hierarchy				
U.S. Gov't and Federally	Fair Value	Level 1	Level 2	Level 3	Total
<b>Guaranteed Bonds:</b>					
Federal National Mortgage Assoc.	\$ 1,311,994	-	\$ 1,311,994	-	\$ 1,311,994
Federal Home Loan Mortgage Corp	398,384	-	398,384	-	398,384
Federal Home Credit Bank	799,172	-	799,172	-	799,172
Corporate Bonds	8,431,385	-	8,431,385	-	8,431,385
<b>Total U.S. Government and Bonds</b>	<b>10,940,935</b>	<b>-</b>	<b>10,940,935</b>	<b>-</b>	<b>10,940,935</b>
<b>Equity Mutual Funds:</b>					
Alternative Investments	5,171,015	-	-	5,171,015	5,171,015
Equities	32,997,213	32,997,213	-	-	32,997,213
Vanguard	330,626	330,626	-	-	330,626
Ishares Core S&P MID CAP	5,153,435	5,153,435	-	-	5,153,435
Ishares TR Russell 2000	2,126,031	2,126,031	-	-	2,126,031
<b>Total Equity Mutual Funds</b>	<b>45,778,320</b>	<b>40,607,305</b>	<b>-</b>	<b>5,171,015</b>	<b>45,778,320</b>
Life Insurance/Annuities	2,472,698	-	-	2,472,698	2,472,698
Cash and Equivalents	2,016,220	2,016,220	-	-	2,016,220
<b>Total Investments</b>	<b>\$ 61,208,173</b>	<b>\$ 42,623,525</b>	<b>\$ 10,940,935</b>	<b>\$ 7,643,713</b>	<b>\$ 61,208,173</b>

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

<u>Investment Type</u>	Fair Value Hierarchy				
U.S. Gov't and Federally	Fair Value	Level 1	Level 2	Level 3	Total
<b>Guaranteed Bonds:</b>					
U.S. Gov't Obligations	\$ -	-	-	-	-
Federal National Mortgage Assoc.	280,114	-	280,114	-	280,114
Federal Home Loan Mortgage Corp	678,788	-	678,788	-	678,788
Federal Home Loan Bank	799,696	-	799,696	-	799,696
Corporate Bonds	8,811,046	-	8,811,046	-	8,811,046
<b>Total U.S. Government and Bonds</b>	<b>10,569,644</b>	<b>-</b>	<b>10,569,644</b>	<b>-</b>	<b>10,569,644</b>
<b>Equity Mutual Funds:</b>					
Alternative Investments	4,671,581	-	-	4,671,581	4,671,581
Equities	23,355,537	23,355,537	-	-	23,355,537
Vanguard	256,464	256,464	-	-	256,464
Ishares Core S&P MID CAP	3,265,309	3,265,309	-	-	3,265,309
Ishares TR Russell 2000	1,327,135	1,327,135	-	-	1,327,135
<b>Total Equity Mutual Funds</b>	<b>32,876,026</b>	<b>28,204,445</b>	<b>-</b>	<b>4,671,581</b>	<b>32,876,026</b>
Life Insurance/Annuities	2,140,921	-	-	2,140,921	2,140,921
Cash and Equivalents	2,406,661	2,406,661	-	-	2,406,661
<b>Total Investments</b>	<b>\$ 47,993,252</b>	<b>\$ 30,611,106</b>	<b>\$ 10,569,644</b>	<b>\$ 6,812,502</b>	<b>\$ 47,993,252</b>

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. PLEDGE RECEIVABLE**

The Foundation has a major gifts campaign to assist the College in seeking partnerships and investment opportunities to help build a re-engineered launch pad for current students and generations to come. Pledge receivables are due to be collected as follows at June 30:

	2021	2020
Gross amounts due in		
One year	\$ 211,862	\$ 116,318
Two to five years	269,036	216,186
Allowance for doubtful accounts	(23,000)	-
Total pledge receivables	\$ 457,898	\$ 332,504

**NOTE 4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2021, is shown as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated				
Land	\$ 254,001	\$ -	\$ -	\$ 254,001
Capital assets, being depreciated				
Apartment buildings and improvements	921,562	-	-	921,562
Apartment building, new	4,074,381	-	-	4,074,381
Apartment building, remodeled	664,463	4,917	-	669,380
Total capital assets being depreciated	5,660,406	4,917	-	5,665,323
Accumulated depreciation	(2,303,323)	(153,366)	-	(2,456,689)
Total capital assets being depreciated, net	3,357,083	(148,449)	-	3,208,634
Total capital assets, net	\$ 3,611,084	\$ (148,449)	\$ -	\$ 3,462,635

Capital assets activity for the year ended June 30, 2020, is shown as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated				
Land	\$ 254,001	\$ -	\$ -	\$ 254,001
Capital assets, being depreciated				
Apartment buildings and improvements	921,562	-	-	921,562
Apartment building, new	4,074,381	-	-	4,074,381
Apartment building, remodeled	644,795	19,668	-	664,463
Total capital assets being depreciated	5,640,738	19,668	-	5,660,406
Accumulated depreciation	(2,149,715)	(153,608)	-	(2,303,323)
Total capital assets being depreciated, net	3,491,023	(133,940)	-	3,357,083
Total capital assets, net	\$ 3,745,024	\$ (133,940)	\$ -	\$ 3,611,084

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5. RELATIONSHIP WITH THE COLLEGE**

The Foundation made contributions and payments to the College for the following purposes as of June 30:

	2021	2020
Scholarships and waivers	\$ 656,205	\$ 663,719
Gifts and contributions	2,187,487	1,568,870
	\$ 2,843,692	\$ 2,232,589

Of the amounts above, the Foundation had an outstanding balance payable to the College of \$28,143 and \$21,534 for the years ended June 30, 2021 and 2020, respectively. The Foundation had an outstanding receivable from the College in the amount of \$10,487 and \$783 for the years ended June 30, 2021 and 2020, respectively. The above related-party transactions are not necessarily indicative of the terms and amounts that would have been incurred had a comparable transaction been entered into with independent parties.

**NOTE 6. RESTRICTED NET POSITION**

Expendable restricted net position is restricted for scholarships or other similar purposes and totaled \$25,097,688 and \$13,425,726 for the years ended June 30, 2021 and 2020, respectively.

Nonexpendable restricted net position (endowments) is donor-directed contributions restricted in perpetuity for scholarships, program instruction, the Arts Center, and other similar purposes. Nonexpendable restricted net position totaled \$37,721,413 and \$37,168,340 for the years ended June 30, 2021 and 2020, respectively.

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as nonexpendable restricted net position: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund, provide consistent long-term income returns and protect the Foundation against long-term inflation trends. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation limits spending on endowments to a maximum of 4% of the average of the three most recent prior year-end endowment fund balances provided net earnings are available.

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7. RENTAL INCOME**

The Foundation rents apartments in a 62 apartment unit complex which is owned by the Foundation. The apartments are rented to either students with athletic scholarships, which are financed by the College, or members of the local community. The historical cost of the apartments of \$5,665,323 net of accumulated depreciation of \$2,456,689 has a carrying value of \$3,208,634. Rentals are commonly under agreements for one year or less. Rental income earned by the Foundation for the year ended June 30, 2021, for the apartment rentals totaled \$619,162, of which \$285,938 was paid to the Foundation by the College for units rented by students with athletic scholarships. For the year ended June 30, 2020, rental income for the apartments totaled \$582,959, of which \$270,000 was paid by the College for units rented by students with athletic scholarships.

The Foundation owns rights to broadband waves which are leased to a telecommunication entity. The initial five year lease agreement became effective October 2, 2006, and has five automatic additional five year renewals, for a maximum of thirty years, unless the telecommunication entity notifies the Foundation in writing at least six months prior to the end of any renewal term that it declines to renew the agreement. The Foundation has not recognized the broadband waves as an asset since there was no cost incurred by the Foundation for its rights. Rental income earned by the Foundation for the years ended June 30, 2021 and 2020, under this rental agreement totaled \$45,000 and \$36,000, respectively. Minimum future rental income is as follows:

2022	\$	42,000
2023		42,000
2024		42,000
2025		42,000
2026		42,000
		<hr/>
	\$	<u>210,000</u>

**NORTHWEST FLORIDA STATE COLLEGE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8. NATURAL CLASSIFICATION OF EXPENSES**

The expenses recognized by the Foundation in the statement of revenues, expenses and changes in net assets are classified based on function, that is, the purpose for which they are incurred. The Foundation's expenses on a natural classification basis are as follows as of June 30:

	<b>2021</b>	2020
Accounting and auditing	\$ 16,000	\$ 15,750
Advertising	547	409
Bad debt expense	23,000	-
Bank fees	821	3,749
Depreciation	153,366	153,608
Food and beverage	21,627	25,682
Gifts and contributions to College	2,187,487	1,568,870
Gifts, prizes and awards	3,525	4,600
Insurance	39,438	33,796
Internal support services	111,099	80,000
Investment management fee	235,866	200,147
Minor equipment	-	609
Miscellaneous supplies	5,129	18,601
Other expenses	1,554	-
Postage and freight	110	247
Printing and distribution	1,077	1,857
Professional fees	31,502	32,098
Professional development fees	54,206	161,983
Repairs and maintenance	98,112	79,149
Scholarships	656,205	663,719
Taxes and licenses	20,841	20,305
Travel	10	276
Utilities	127,769	114,505
	<b>\$ 3,789,291</b>	<b>\$ 3,179,960</b>

**NOTE 9. SUBSEQUENT EVENTS**

Other than stated below, the Foundation did not have any other subsequent events through November 19, 2021, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2021.

The Foundation sold the 62 apartment unit complex in Niceville, Florida to an unrelated party on July 26, 2021 for \$6,400,000.



**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**

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Board of Directors  
Northwest Florida State College Foundation, Inc.  
Niceville, 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 Northwest Florida State College Foundation, Inc. (the "Foundation"), a direct support organization and component unit of the Northwest Florida State College, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 19, 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 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 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.

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**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 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida  
November 19, 2021