

2022

College of Central Florida Foundation, Inc.

A Component Unit of the College of Central Florida

Financial Statements and Independent Auditor's Report

December 31, 2022

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

**COLLEGE OF CENTRAL FLORIDA
FOUNDATION, INC.
OCALA, FLORIDA
A COMPONENT UNIT OF THE
COLLEGE OF CENTRAL FLORIDA**

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
College of Central Florida Foundation, Inc.

Opinion

We have audited the accompanying financial statements of the College of Central Florida Foundation, Inc. (the Foundation), a component unit of the College of Central Florida, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As described in Note 2 to the financial statements, in 2022, the Foundation adopted new accounting guidance, Governmental Accounting Standards Board Statement (GASB), No. 87, *Leases*. Our opinion was not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Foundation's 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.

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INDEPENDENT AUDITOR'S REPORT

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, 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

Management is responsible for the other information included in the annual report. The other information comprises the statement of net position by account and statement of revenues, expenses, and changes in net position by account, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



June 5, 2023
Ocala, Florida

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

This section of the College of Central Florida Foundation’s (the Foundation) annual financial report presents our discussion and analysis of financial performance for the fiscal periods ending on December 31, 2022 and 2021. Please read it in conjunction with the preceding Accountant’s Audit Report and financial statements following this section.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide information about activities and present a longer-term view of financial position. The Statement of Cash Flows provides information regarding net cash from (used in) various activities.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. These notes are an integral part of these financial statements and should be read as a part of the financial statements in order for the reader to have a clear understanding of activities and performance.

FINANCIAL ANALYSIS

Non-Current Assets	85,032,422	95,578,272
Total Assets	131,429,306	126,335,396
Current Liabilities	11,208,431	642,659
Long-Term Liabilities	6,693,917	303,276
Total Liabilities	17,902,348	945,935
Deferred Inflows of Resources		
Split Interest Agreements	97,540	124,880
Long-Term Leases	417,563	-
Total Deferred Inflows of Resources	515,103	124,880
Net Position:		
Net Investment in Capital Assets	22,520,580	22,542,629
Restricted	72,608,081	83,466,079
Board Designated	14,934,376	16,605,077
Undesignated Purpose	2,948,818	2,650,796
Net Position at End of Year	\$ 113,011,855	\$ 125,264,581

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

In comparing 2022 activity to 2021 activity, we note the following:

Total assets increased by 4.03%, or \$5.1 million. Current assets increased by \$9 million due to a conditional gift of \$10.3 million recorded in cash and cash equivalents. This gift will be recorded as revenue when the requirements of the gift are met. Capital assets being depreciated increased by \$6.5 million, which reflects the adoption of GASB Statement No. 87, *Leases*. Under this statement, a lessee is required to recognize an intangible right to use lease asset, along with a lease liability. Non-current assets, including the Foundation’s investment accounts, decreased by \$10.5 million during 2022 due to volatile market conditions, resulting in a \$10 million decrease in the market value of the investment accounts.

There was a net increase of \$17 million in total liabilities which reflects the \$10.3 million conditional gift recorded as a refundable advance, along with the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, recognition of the long-term portion of the lease payable of \$6.7 million. The advance from the College of Central Florida associated with College Square was paid in full, eliminating debt of \$280,343. An 11-year agreement was made to repay the College beginning December 2014 after the bond on College Square Apartments was paid in full January 2014.

In recognizing the effects of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, and GASB Statement No. 87, *Leases*, on our financial statements, deferred inflows of resources increased by \$390,223 to reflect the change in market value of gift annuities and charitable remainder trusts during 2022, along with the addition of \$417,563 in long-term leases held by the CF Foundation. Total net position decreased by \$12,252,726.

CHANGES IN NET POSITION

	December 2022	December 2021
Revenue:		
Operating - Contributions	\$ 552,494	\$ 3,869,572
Operating - Change in Pledges Receivable	-	(17,751)
Operating - Investment Income	(9,972,431)	10,709,880
Operating - Other	1,283,121	1,052,514
Operating - Support from College of Central Florida	476,402	469,072
Endowment Additions	597,563	1,720,949
Capital Contributions	184,925	1,392,689
Total Revenue	<u>(6,877,926)</u>	<u>19,196,925</u>
Expenses:		
Operating - Program	4,301,393	6,631,667
Operating - Support	875,928	759,823
Non-Operating Expenses	197,479	28,620
Total Expenses	<u>5,374,800</u>	<u>7,420,110</u>
Change in Net Positions	(12,252,726)	11,776,815
Net Position at Beginning of Year	125,264,581	113,487,766
Net Position at End of Year	<u>\$ 113,011,855</u>	<u>\$ 125,264,581</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

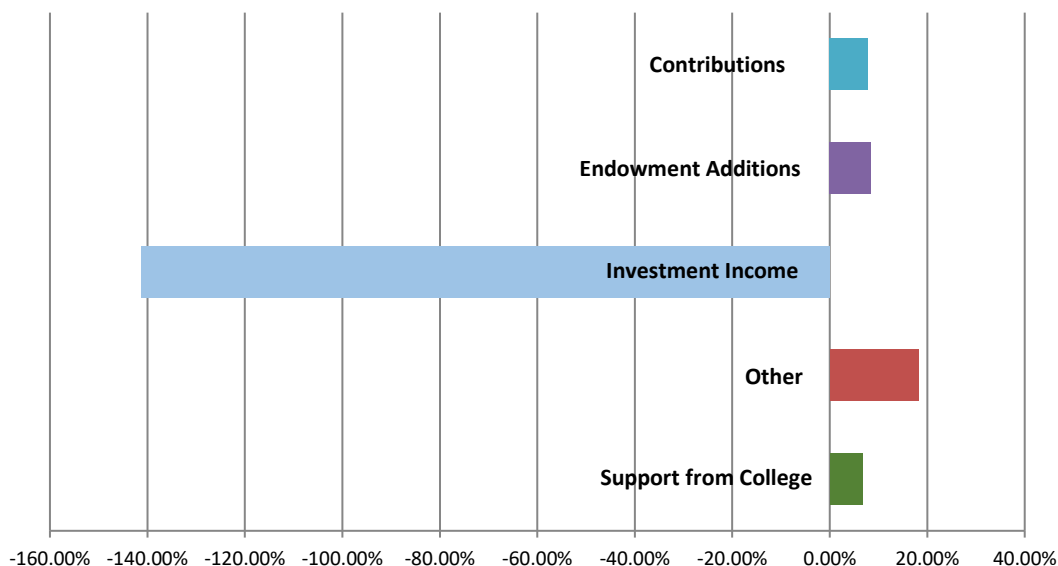
Significant differences between 2022 and 2021 revenues and expenses are discussed below:

REVENUES

Operating Revenue: Overall, operating revenue decreased by \$23.7 million compared to 2021, with investment income losses during 2022 totaling \$10 million due to volatile market conditions. The Foundation also experienced a decrease in private contributions in comparison to 2021, when the \$4.6 million art collection of the Foosaner Art Museum and Ruth Funk Center for Textile Arts was received.

Endowment Additions Revenue: Permanently restricted contributions to the endowment fund experienced a 65.3% decrease in comparison to 2021, when a \$1 million endowed scholarship was established by the Citrus County Hospital Board to support Citrus students enrolled in the College’s health science programs.

2022 Revenue



Operating – Contributions consists of private non-endowed contributions.

Operating – Change in Pledges Receivable is comprised of pledges added, paid, and written off.

Operating – Investment Income is comprised of investment earnings, changes in values of life insurance and split interest agreements, and gain/loss on land held for investment purposes.

Operating – Other Revenue is comprised of rental income and fees from various rental properties owned by the Foundation, including College Square student residence and the Enterprise Center, along with revenue from special events.

Endowment Additions are permanently restricted contributions added to the endowment fund.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

EXPENSES

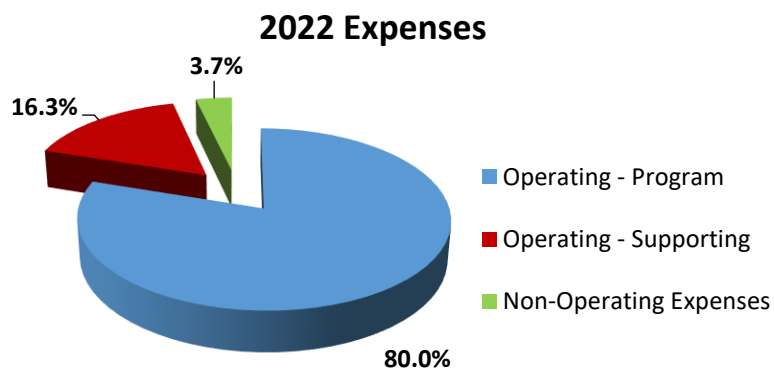
Operating – Program Expenses include scholarships, academic program and institutional support as well as distributions for temporarily restricted purposes. Also included in this category are expenses associated with donor relations, special events, student housing, and Enterprise Center. A majority of operating program expenses are funded through earnings on endowments. Although the Foundation's fiscal year is January to December, endowment allocations are made in line with the College's academic and fiscal year which is July to June.

During 2022, the Foundation provided \$1,346,961 in scholarship support, \$670,466 in academic program support, and \$967,751 in institutional support. Overall, 2022 program expenses decreased 35.1% in comparison to 2021, when \$1.4 million of the Foosaner Art Museum and Ruth Funk Center for Textile Arts gift was accessioned into the permanent collection. Appleton Museum endowments held by the Foundation matured in 2015. In July 2017, an allocation was requested to fund operations at the Appleton Museum in order to meet budget shortfalls.

The Foundation Board of Directors approved an endowment-spending rate of 3.0% for endowed scholarship and chair awards during the 2021-2022 academic year, increasing to 3.5% during the 2022-2023 academic year.

Operating – Supporting Expenses are comprised of general and administrative expenses including personnel costs, insurance, utilities, and maintenance. In 2022, the first full year of post-pandemic operations, supporting expenses totaled \$875,927, an increase of 15.3%, or \$116,528, in comparison to 2021 expenses.

Non-Operating Expenses, which consists of interest expense, totaled \$197,479 for 2022 compared to \$28,620 in 2021, an increase of 32.7%. Due to the effects of GASB No. 87, *Leases*, interest expense of \$197,479 from the long-term lease liability with the college was recognized during 2022. This amount also includes interest paid on the Foundation's long-term debt financing. The final payment for the College Square bond was made on January 2, 2014. Beginning December 2014, repayment to the College for College Square support began in accordance with an 11-year agreement approved by the Board during 2013, with the balance due being paid in full during 2022.



COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

NET POSITION

As a result of the foregoing activity, net position decreased 9.8% or \$12,252,728, to \$113,011,855. Included in unrestricted net position are board-designated reserve accounts that have been established as follows:

Scholarship Reserve	\$ 1,578,307
Endowed Chair/Grant Reserve	463,593
Insurance Reserve	<u>32,000</u>
Total Reserves	<u>\$ 2,073,900</u>

DEBT ADMINISTRATION

	<u>December 2022</u>	<u>December 2021</u>
Long-Term Debt:		
Long-Term Lease	\$ 6,672,434	\$ -
Advances from the College	<u>-</u>	<u>380,343</u>
Total	<u>\$ 6,672,434</u>	<u>\$ 380,343</u>

OTHER

In 2011, the Foundation’s Board of Directors (the Board) completed its research into alternative options and strategies for management of the Foundation’s investment portfolio. At the end of that very lengthy and comprehensive process, the Board approved replacing the current investment advisor with a firm having specific expertise in managing educationally based endowed investments including several educational foundations in Florida. This transition took place in late December 2011 and was fully implemented the first week of January 2012. In late 2013, the Board approved a 5% investment in core property and alternatives, implemented January 2014. Since inception with the current investment firm, the core endowment has earned 6.99% overall, with core property earning 11.16%. The Foundation’s total portfolio 3-year annualized return is 3.11%.

The Foundation is well positioned to continue to provide the college with resources to assist in carrying out its mission, to provide quality higher educational opportunities to the residents of Citrus, Levy, and Marion counties (our tri-county service area). The Foundation looks back with pride and forward with anticipation to the achievements made possible with the efforts and involvement of the Foundation’s Board and the College’s District Board of Trustees, our donors, volunteers, and community supporters.

REQUESTS FOR INFORMATION

This section of the Foundation’s annual financial report is designed to provide a general overview of the Foundation’s finances. Questions about any of the information provided in this report or requests for additional financial information should be addressed to the Chief Fiscal Officer, CF Foundation, 3001 SW College Rd, The Enterprise Center, 2nd Floor, Ocala, FL, 34474-4415 or by calling 352-873-5808.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 16,737,719
Pledge Receivable, Current Portion, Net	46,000
Prepaid Expenses and Other Current Assets	142,700
Lease Receivable, Current Portion	252,451

Total Current Assets	17,178,870
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Capital Assets, Net

Capital Assets Not Being Depreciated	19,648,472
Capital Assets Being Depreciated, Net	9,569,542

Total Capital Assets, Net	29,218,014
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Non-Current Assets

Cash and Cash Equivalents - Endowment	1,159,996
Investments	83,555,331
Investments - Gift Annuity	97,171
Charitable Remainder Trusts	27,763
Cash Surrender Value of Life Insurance	19,306
Lease Receivable, Non-Current Portion	172,855

Total Non-Current Assets	85,032,422
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Total Assets	131,429,306
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LIABILITIES

Current Liabilities

Accounts Payable and Accrued Expenses	194,057
Scholarship Payable	584,635
Escrow - Housing Deposits	73,152
Unearned Revenue	50,487
Current Portion of Gift Annuity Payable	6,100
Refundable Advance	10,300,000

Total Current Liabilities	11,208,431
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Long-Term Liabilities

Long-Term Portion of Gift Annuity Payable	21,483
Long-Term Portion of Lease Payable	6,672,434

Total Long-Term Liabilities	6,693,917
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Total Liabilities	17,902,348
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Deferred Inflows of Resources

Charitable Remainder Trusts	27,763
Gift Annuity	69,777
Leases	417,563

Total Deferred Inflows of Resources	515,103
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NET POSITION

Net Position

Net Investment in Capital Assets	22,520,580
Restricted:	
Non-Expendable	69,135,212
Expendable	3,472,869
Unrestricted:	
Undesignated	2,948,818
Board Designated	14,934,376

Total Net Position	\$ 113,011,855
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See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

Operating Revenues	
Private Contributions	\$ 552,494
Rental Income and Fees	1,217,566
Investment Income	(9,972,432)
Special Events	65,555
Support from College of Central Florida	476,402
Total Operating Revenues	<u>(7,660,415)</u>
Operating Expenses	
Program Services:	
Donor Relations	192,297
Institutional Support	967,751
Scholarships	1,346,961
Academic Program Support	670,075
Special Events	45,084
Student Housing	775,067
Enterprise Center	304,158
Total Program Services	<u>4,301,393</u>
Supporting Services:	
General Administration	875,927
Total Supporting Services	<u>875,927</u>
Total Operating Expenses	<u>5,177,320</u>
Operating Income	<u>(12,837,735)</u>
Non-Operating Revenue (Expense)	
Interest Expense	(197,479)
Total Non-Operating Revenue	<u>(197,479)</u>
Change in Net Position Before Contributions	(13,035,214)
Private Endowment Contributions	597,563
Capital Contributions - Donated Art Collection	<u>184,925</u>
Change in Net Position	(12,252,726)
Net Position, Beginning of Year	<u>125,264,581</u>
Net Position, End of Year	<u>\$ 113,011,855</u>

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities

Cash Received from Donors	\$ 14,061,910
Cash Received from Rental Tenants	792,260
Cash Paid to College of Central Florida, Vendors, and Suppliers	(4,519,410)
Cash Received for Investments and Dividends	5,961,526
Cash Received from Sale of Investments	27,323,374
Cash Paid for Purchases of Investments	(32,859,008)

Net Cash Provided by Operating Activities

10,760,652

Cash Flows from Capital and Related Financing Activities

Acquisition and Construction of Capital Assets	(190,705)
Lease Payments	(14,192)
Annuity Payments	(6,100)
Interest Paid on Debt	(156,114)
Payments on Advances from College of Central Florida	(380,344)

Net Cash Used in Financing Activities

(747,455)

Net Increase (Decrease) in Cash and Cash Equivalents

10,013,197

Cash and Cash Equivalents, Beginning of Year

7,884,518

Cash and Cash Equivalents, End of Year

\$ 17,897,715

Shown on the Statement of Net Position as:

Cash and Cash Equivalents	\$ 16,737,719
Cash and Cash Equivalents - Endowment	1,159,996

Total Cash and Cash Equivalents

\$ 17,897,715

Reconciliation of Operating Income to Net Cash

Used in (Provided by) Operating Activities

Operating Income	\$ (12,837,735)
Adjustments to Reconcile Operating Income to Net Cash	
Used in (Provided by) Operating Activities:	
Depreciation and Amortization	345,507
Net Realized and Unrealized Loss on Investments	10,008,101
Private Endowment Contributions	597,563
Decrease (Increase) in:	
Charitable Remainder Trusts	10,507
Bequest Receivable	1,000,000
Pledges Receivable	1,021,209
Lease Receivable	(425,306)
Prepaid Expenses and Other Current Assets	(19,839)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	(32,902)
Scholarships Payable	365,144
Escrow - Housing Deposits	20,690
Unearned Revenue	12,840
Gift Annuity Payable	4,650
Change in Deferred Inflow of Resources	390,223
Refundable Advance	10,300,000
Total Adjustments	<u>23,598,387</u>

Net Cash Provided (Used) by Operating Activities

\$ 10,760,652

Significant Transactions Not Affecting Cash

Donation of Stock	<u>\$ 355,822</u>
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See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 - Summary of Significant Accounting Policies

Nature of Organization—The College of Central Florida Foundation, Inc. (the Foundation) is a direct support organization as provided for in Section 240.331, Florida Statutes, and is considered a component unit of the College of Central Florida (the College) in Ocala, Florida. The Foundation was formed in 1959 as a 501(c)(3) not-for-profit organization whose objective is to provide students attending the College with funds to pursue their collegiate training and to provide the College with funds to carry on any proper activity at the College.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

For financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Foundation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

Fund Accounting—To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. All of the Foundation's financial activity is accounted for in a single enterprise fund, which is broken down into the following sub-accounts:

Operating Account—Includes unrestricted and restricted resources and represents the portion of expendable funds that are available for support of operations and funds available for use in accordance with specific restrictions, respectively.

Endowment Account—Records non-expendable donations received by the Foundation subject to donor-imposed restrictions and unrestricted donations received by the Foundation subject to designation by the Foundation's Board of Directors (the Board), requiring that the principal be invested in perpetuity and that only income (including appreciation) can be used for scholarships and endowed chair activities. The endowment principal balance fluctuates as investment income, including realized and unrealized appreciation, and is allocated to each endowment on a pro rata basis based on its balance as a percentage of the total endowment fund. Beginning in 1992, the Board approved the unrestricted operating fund to charge up to a 2.5% reinvestment fee against current earnings to recover the costs of administering endowment and general operations. During the 2022 fiscal year, a reinvestment fee of 1.35% was charged on active endowments. The spending rate for the endowments is set by the Board. During the 2022 fiscal year, a spending rate of 3.5% was approved.

Museum Collection Account—Consists of the artwork and collections of the Appleton Museum of Art. Art acquisitions are recorded at cost if purchased or at market value on the date of receipt if donated, based on a bona fide appraisal. Although the artwork and collections have been capitalized, they are considered inexhaustible and, therefore, not depreciable.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Student Housing Account—Includes the student housing facility and related debt to further assist students attending the College. Rental revenues and operating and maintenance expenses are also recorded in the account.

Enterprise Center Account—Includes office building and related debt. Rental revenues and operating expenses are also recorded in the account.

Net Position—The Foundation classifies its net position into the following three categories:

Net Investment in Capital Assets—Represents the Foundation's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position.

Restricted—The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Non-Expendable Restricted Net Position—Consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Expendable Restricted Net Position—Includes resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted—The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

Classification of Revenues—The Foundation classifies its revenues as operating or non-operating according to the following criteria:

Operating Revenues—Include the primary activities of contributions from donors, program revenues, investment income, rental activities, and special events.

Non-Operating Revenues—Include revenues derived from contributions restricted for capital additions or endowments.

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Donor Restricted Endowments—Investment income, including unrealized appreciation and depreciation, is allocated to each endowment account on a pro rata basis based on the non-expendable endowment balance. In accordance with state law, these funds are then available for expenditure when the specific donor criteria are met. The Foundation accounts for endowments using the total return method, which utilizes both income and capital appreciation to be withdrawn for spending. The maximum allowable spending amount is stated in the investment policy.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash, certificates of deposit, money market accounts, and highly liquid fixed income investments with original maturities of three months or less. Cash and cash equivalents that are part of the endowment account are classified as non-current assets in the statement of net position, as they are not intended to be used for current operating costs.

Capital Assets—Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets, which range from five years for most equipment to forty years for buildings.

Bequest Receivable—Assets left to the Foundation through the provisions of a will or an estate plan that has not been received as of the end of the fiscal year.

Pledges Receivable—Legally enforceable pledges, less an allowance for uncollectible amounts, are recorded as a receivable and revenue in the year made for current period use. Pledges for endowments are considered voluntary non-exchange transactions and the contribution cannot be recognized until all the eligibility requirements are met, including time restrictions. Therefore, pledges for endowments are not recorded on the financial statements until the funds are received.

Investments—The Foundation follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this provision, contributed marketable securities are recorded at their fair value at the date of donation. Purchased marketable securities are recorded and carried at fair value with increases and decreases being charged and credited to the statement of revenues, expenses, and changes in net position.

Accrued Compensated Absences—The Foundation accrues accumulated unpaid vacation and sick leave and associated employer-related costs when earned (or estimated to be earned) by the employee. Eligible employees are entitled to annual vacation and sick leave with pay. The employees are generally allowed to accumulate vacation leave. A maximum of 450 hours may be carried over from year to year, of which 330 hours will be paid upon termination. Sick leave balances accrue for employees who are actively employed and who have completed ten years of service. However, payment upon termination is limited to the lesser of 60 days or 1/2 of the employee's sick leave balance for those employees who were hired on or after July 1, 1998, or 1/2 of the employee's sick leave balance for those employees hired prior to July 1, 1998.

Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Income Taxes—The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. Contributions to the Foundation qualify for the charitable contribution tax deduction.

Donated Property, Materials, and Services—Donated property used to further the purposes of the Foundation is recorded at acquisition value at the time of donation. Donated materials and services used to further the purposes of the Foundation are recorded at the amount it deems it would reasonably pay to obtain such materials and services. The Foundation frequently receives donations of property and materials, which it in turn, contributes to the College. These amounts are not recorded in the Foundation's accounting records.

Refundable Advance—Funds that are received in advance and recorded as a liability until the conditions have been substantially met or explicitly waived by the donor.

Split Interest Agreements—The Foundation has adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. In accordance with GASB Statement No. 81, assets received under split-interest agreements are recorded as follows:

- Assets for Resources Received or Receivable
- A Liability for the Lead Interest that is Assigned to Other Beneficiaries
- A Deferred Inflow of Resources for the Government's Unconditional Remainder Interest

Changes in assets recognized pursuant to irrevocable split-interest agreements, such as those resulting from interest, dividends, and changes in fair value, are recognized as an increase or decrease in the related deferred inflow of resources. The amount recognized as the liability representing the lead interest assigned to other beneficiaries, have been recorded based on the settlement amount as measured by an evaluation technique that incorporates assumptions reflecting the specific provisions of the agreements. Those assumptions include: (a) the payment provisions of the agreement; (b) the estimated rate of return of the assets; (c) the mortality rate (if the term is life-contingent); and (d) the discount rate if a present value technique is used.

For agreements in which the Foundation is the lead interest beneficiary, the Foundation will recognize revenue for the beneficial interest applicable to the reporting period as stipulated in the irrevocable split-interest agreement. For agreements in which the Foundation is the remainder interest beneficiary, the Foundation will recognize revenue for the beneficial interest at the termination of the agreements, as stipulated in the irrevocable split-interest agreement.

Leases—Lessee: The Foundation is a lessee for a non-cancellable ground lease with the College. The Foundation recognizes a lease liability and an intangible right to use lease asset in the financial statements.

At the commencement of a lease, the Foundation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct cost. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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Lessor: The Foundation is a lessor for a non-cancellable lease of a rental of office space in the Enterprise Center. The Foundation recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Foundation initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Note 2 - Leasing Activities

The Foundation has various lease agreements to receive rental income for short-term leases that are 12 months or less which are as follows:

- A 99-year lease on property located in Columbus, Ohio, was donated. Rent of \$2,500 is payable in advance every three months. The lease expired in 2022 and is renewable in perpetuity at the option of the lessee.
- Single-family residence located in Ocala, Florida, on a portion of land that was purchased by the Foundation for construction of the student housing facility. Rent of \$1,100 is payable monthly on the 1st of each month. This lease was renewed and expired December 31, 2022.
- Single-family residence located in Ocala, Florida, on a portion of land that was purchased by the Foundation for construction of the student housing facility. Rent of \$1,200 is payable on the 1st of each month. The lease expires on March 31, 2023.
- College Square, a 48-unit student residence that houses 192 students, charges monthly rent of between \$455 and \$500, depending on the length of lease. The length of a lease varies, depending on the tenants' needs. The Foundation has contracted with Roberts Real Estate, Inc., since January 2018 to manage the property. The property's daily operations are handled through the management office at College Square.

For the year ended December 31, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this Statement is to enhance the relevance and consistency of information about governments' leasing activities. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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Lease payable

The Foundation has entered into a 60 year 7 month lease agreement with the College. An initial lease liability was recorded in the amount of \$6,645,261 during the current fiscal year. As of December 31, 2022, the value of the lease liability was \$6,672,434. The Foundation is required to make monthly principal and interest payments of \$18,821 which escalate annually by 3%. The lease has an imputed interest rate of 3.25%. The value of the right to use asset as of the end of the current fiscal year was \$6,645,261 and a accumulated amortization of \$158,221.

The future principal and interest lease payments as of December 31, 2022, were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ -	\$ 215,432	\$ 215,432
2024	-	215,432	215,432
2025	-	215,432	215,432
2026	-	215,432	215,432
2027	-	215,432	215,432
2028-2032	20,533	1,077,159	1,097,692
2033-2037	20,832	1,077,159	1,097,991
2038-2042	395,067	1,049,739	1,444,806
2043-2047	721,952	960,088	1,682,040
2048-2052	1,139,072	810,874	1,949,946
2053-2057	1,675,860	584,662	2,260,522
2058-2062	2,360,756	259,809	2,620,565
2063	338,362	3,713	342,075
Total	6,672,434	\$ 6,900,363	\$ 13,572,797

Lease receivable

The Foundation leases office space to three entities in the Enterprise center. These lease agreements in which the Foundation is a lessor are summarized below.

Description	Original Date	Terms	Annual Payment Amount	Interest Rate	Initial Lease Receivable	Revenue Recognized 2022
Office Space	1/1/2020	5 years	\$ 71,574	3.25%	\$ 209,570	\$ 69,857
Office Space	7/1/2014	10 years	161,868	3.25%	407,350	162,940
Office Space	10/1/2021	3 years	19,947	3.25%	52,547	19,108
Total Lessor Agreements					\$ 669,467	\$ 251,905

Description	Original Date	Deferred Inflow 12/31/2022	Lease Receivable Balance 12/31/2022	Additional Terms
Office Space	1/1/2020	\$ 139,713	\$ 143,276	Payment amount increases \$1,704 annually.
Office Space	7/1/2014	244,411	248,142	Payment amount increases \$3,854 annually.
Office Space	10/1/2021	33,439	33,888	Lessee has 1 extension option for one year.
Total Lessor Agreements		\$ 417,563	\$ 425,306	

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Principal and Interest Expected to Maturity:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 252,451	\$ 6,468	\$ 258,919
2024	172,855	1,847	174,702
Total	<u>\$ 425,306</u>	<u>\$ 8,315</u>	<u>\$ 433,621</u>

Note 3 - Cash, Cash Equivalents, and Investments

Investments are recorded at fair value. Securities traded on a national exchange are valued at the last reported sales price. Corporate bonds not traded on a national exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of real estate investments is based on independent appraisals. Investments in hedge funds are generally valued at fair value, by the management of the fund by reference to the value of the underlying fund's assets, if available, or by the valuations of a fund's underlying assets as provided by the general partner or investment manager, if the assets are not publicly traded. Other investments not having an established market are recorded at estimated fair value.

The Foundation has established an investment policy for its endowed investments. The majority of its endowed investments are managed by SEI Investments Management Corp. The Foundation has a separate investment policy for the Edith Marie Appleton Endowment and Arthur Appleton Endowment, which are managed by the Northern Trust Company. The Foundation's investment managers are required to oversee the management of the portfolios pursuant to investment policies adopted by the Board.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the Foundation's investments in securities and investment funds are reported by investment type at fair value in the composition of investments below:

<u>Endowment Investment</u>	<u>Maturities (Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Fair Value Measurement Level</u>
Edith Marie Appleton Endowment:				
Investment Grade Fixed	8.3	AA	\$ 578,529	1
Government/Corporate Bond	1	A	367,168	1
High Yield Bonds	6.08	B	357,780	1
Equities	N/A	N/A	2,903,382	1
Global Real Estate	N/A	N/A	42,614	1
Cash and Cash Equivalents	N/A	N/A	<u>267,308</u>	N/A
Total			<u>4,516,781</u>	
Arthur Appleton Endowment:				
Investment Grade Fixed	8.3	AA	1,931,034	1
Government/Corporate Bonds	1	A	1,225,654	1
High Yield Bonds	6.08	B	1,194,318	1
Equities	N/A	N/A	9,691,948	1
Global Real Estate	N/A	N/A	142,250	1
Cash and Cash Equivalents	N/A	N/A	<u>892,688</u>	N/A
Total			<u>15,077,892</u>	

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Endowment Investment	Maturities (Years)	Credit Rating	Fair Value	Fair Value Measurement Level
Other Endowment Investments:				
Investment Grade Fixed Income	4.62	AA	\$ 11,117,788	1
Non-Investment Grade Fixed Income	5.75	B	1,204,648	1
Investment Bonds	9.95	BB	1,233,079	1
U.S. Equity Funds	N/A	N/A	17,392,955	1
Equities	N/A	N/A	23,867,102	1
Mutual Funds	N/A	N/A	3,110,014	1
Hedge Funds	N/A	N/A	<u>5,252,492</u>	2
Total			<u>63,178,078</u>	
Total Endowment Investment (Including Cash)			<u>\$ 82,772,751</u>	

Non-endowed assets held for various temporarily restricted and unrestricted purposes are invested separately and managed in accordance with the Board's approval for non-endowed investments:

Non-Endowment Investment	Maturities (Years)	Credit Rating	Fair Value	Fair Value Measurement Level
Other Investments:				
Investment Grade Fixed Income	5.38	AA	\$ 1,696,381	1
Non-Investment Grade Fixed Income	5.75	B	177,371	1
Investment Bonds	9.95	BBB	165,994	1
Cash and Cash Equivalents	N/A	N/A	<u>1</u>	N/A
Total Non-Endowment Investment			<u>2,039,747</u>	
Total Investments (including Cash)			<u>\$ 84,812,498</u>	

Both endowed and non-endowed investments are shown in the accompanying statement of net position as follows:

Cash and Cash Equivalents - Endowment	\$ 1,159,996
Investments	83,555,331
Investments - Gift Annuity	<u>97,171</u>
Total Investments (Including Cash)	<u>84,812,498</u>
Cash and Cash Equivalents	<u>16,737,719</u>
Total Cash and Investments	<u>\$ 101,550,217</u>

The Foundation categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, which are based on matrix pricing or evaluated pricing methodologies; Level 3 inputs are significant unobservable inputs. The Foundation does not have any investments that are Level 3 inputs.

GASB Statement No. 40 establishes disclosure requirements related to the following types of investment risks:

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Credit Risk—Credit risk relates to the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit for debt securities of the Foundation are displayed in the above schedule. Investment ratings are from Moody's Investor Services, Inc., Standard & Poor's, and Fitch. SEI Investments Management Corp. manages the other endowed investments and seeks "real return" for the portfolio. Fixed income securities managed by SEI Investments Management Corp. may invest in debt securities of any credit quality and with a broad range of maturities.

Interest Rate Risk—Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The weighted average maturity for the Arthur Appleton Endowment and the Edith Marie Appleton Endowment and the duration for the Other Endowed Investments are presented in the above schedule.

Custodial Credit Risk—For deposits at December 31, 2022, cash and cash equivalents, including cash and cash equivalents held in endowment, were held by depositories, and the bank balances amounted to \$17,897,517. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. There are funds that are not insured by the Federal Deposit Insurance Corporation; this primarily includes funds held as investments by the Foundation.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

■ **Arthur Appleton Endowment and Edith Marie Appleton Endowment**

All investments are held in a counterparty account for the Northern Trust Company, a trust department, as custodian for the above referenced client accounts.

■ **Other Endowed Investments**

All investments are held by SEI Investments Management Corp., a trust department, as custodian for the above referenced client accounts.

Concentration of Credit Risk—Disclosure of any issuer of investments that in the aggregate are 5% or more of the portfolio is required to be disclosed as a concentration of credit risk (investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt). As of December 31, 2022, there were no concentrations of credit risk.

Foreign Currency Credit Risk—Investments include exposure to international equity securities. Fluctuating exchange rates will have an impact on the performance of those investments. No investments are completed with the sole intent to profit from changes in foreign currency exchange rates.

Note 4 - Charitable Gift and Remainder Annuity Trusts

As of December 31, 2022, the Foundation holds a remainder interest in several charitable remainder trusts. Under the terms of these trusts, the beneficiaries are to receive annual distributions during the lifetime of the donor(s). Upon the death of the donor(s), the funds remaining will be endowed or spent in accordance with the wishes of the donor(s).

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As of December 31, 2022, the Foundation has entered into charitable gift annuity agreements with donors. Under terms of these agreements, the beneficiaries are to receive annual distributions of an amount equal to between 6.1% and 7.3% of the original principal of the trust for the life of the donor(s). The present value of the annuity payment liabilities at December 31, 2022, has been calculated based on the respective payouts and discount rates as determined by the trust documents. This amount is reflected on the balance sheet as a gift annuity liability. Upon the death of the donor(s), any funds remaining will be endowed or spent in accordance with the wishes of the donor(s) (see Note 10 for change in the liability for the fiscal year ended December 31, 2022).

Note 5 - Capital Assets

A summary of Appleton Museum of Art and all other property and equipment of the Foundation is as follows at December 31, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Student Housing and Rental Houses				
Property and Equipment Not Being Depreciated:				
Land	\$ 459,640	\$ -	\$ -	\$ 459,640
Capital Assets Being Depreciated:				
Student Housing Buildings and Improvements	3,590,281	144,930	-	3,735,211
Rental Houses	109,237	-	-	109,237
Total Capital Assets Being Depreciated	3,699,518	144,930	-	3,844,448
Less Accumulated Depreciation:				
Student Housing Buildings and Improvements	(2,177,972)	(108,216)	-	(2,286,188)
Rental Houses	(68,395)	(3,395)	-	(71,790)
Total Accumulated Depreciation	(2,246,367)	(111,611)	-	(2,357,978)
Total Capital Assets Being Depreciated, Net	1,453,151	33,319	-	1,486,470
Total Student Housing and Rental Houses, Net	\$ 1,912,791	\$ 33,319	\$ -	\$ 1,946,110
Other Capital Assets				
Capital Assets Not Being Depreciated:				
Appleton Collection and Artwork	\$ 18,586,855	\$ 209,926	\$ -	\$ 18,796,781
Other Donated Collections and Artwork	46,201	-	-	46,201
Land - Lot 7, College Park	16,000	-	-	16,000
Land - Ohio Downtown Commercial Property	160,000	-	-	160,000
Land - Orange Lake, Marion County	169,851	-	-	169,851
Total Capital Assets Not Being Depreciated	18,978,907	209,926	-	19,188,833
Capital Assets Being Depreciated:				
Buildings - Enterprise Center	2,985,432	20,774	-	3,006,206
Equipment - Enterprise Center	38,539	-	-	38,539
Office Equipment	1,250	-	-	1,250
Right to Use Property	6,645,261	-	-	6,645,261
Total Capital Assets Being Depreciated	9,670,482	20,774	-	9,691,256
Less Accumulated Depreciation:				
Buildings - Enterprise Center	(1,334,501)	(75,675)	-	(1,410,176)
Equipment - Enterprise Center	(38,539)	-	-	(38,539)
Office Equipment	(1,250)	-	-	(1,250)
Right to Use Asset	-	(158,221)	-	(158,221)
Total Accumulated Depreciation	(1,374,290)	(233,896)	-	(1,608,186)
Total Capital Assets Being Depreciated, Net	8,296,192	(213,122)	-	8,083,070
Other Capital Assets, Net	27,275,099	(3,196)	-	27,271,903
Total Capital Assets - at Cost	32,808,547	375,630	-	33,184,177
Total Accumulated Depreciation	(3,620,656)	(345,507)	-	(3,966,163)
Total Capital Assets, Net	\$ 29,187,890	\$ 30,123	\$ -	\$ 29,218,014

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Total depreciation expense for the year ended December 31, 2022, was \$345,507.

The total value of the artwork and collections at the Appleton Museum of Art exceeds the \$18,586,855, which is recorded in the accounting records of the Foundation, based on a professional appraisal of the top items in the collection, together with acquisitions that have been made since that time. The remaining items in the collection that were not appraised have not been included in the capitalization of the collection. During 2021, the Appleton Museum of Art received the collection of artwork owned by Florida Institute of Technology's Foosaner Art Museum and Ruth Funk Center for Textile Arts. This collection was previously appraised by the donor and valued at \$4.6 million. The Appleton Museum of Art has begun the process of evaluating the collection to determine which items will be accessioned into the permanent collection. At this time, it has been determined that items valued at approximately \$1.4 million will be accessioned, capitalized, and added to the permanent collection.

Note 6 - Net Position

Net position consists of the following at December 31, 2022:

Operating Account

Unrestricted:

Board Designated Revenue for Scholarships	\$ 1,578,307	
Board Designated Revenue for Chairs	463,593	
Board Designated Revenue for Insurance	32,000	
Undesignated	2,086,019	
Net Investment in Capital Assets	<u>345,851</u>	
Total Unrestricted Operating Account		\$ 4,505,770

Restricted:

Restricted for Annual and Major Gifts Campaign	380,301	
Restricted for Other Uses	<u>3,092,568</u>	
Total Restricted Operating Account		<u>3,472,869</u>

Total Operating Account		<u><u>7,978,639</u></u>
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Endowment Account

Non-Expendable:

Total Endowed for Scholarships	29,522,799	
Total Endowed for Appleton Museum	19,564,719	
Total Endowed for Chairs	15,764,197	
Total Promise for Future Endowment	4,206,197	
Total Endowed for Other Purposes	<u>77,300</u>	
Total Non-Expendable		69,135,212

Board Designated:

Board Designated Scholarships	6,462,193	
Board Designated Chairs	6,322,453	
Board Designated Other	<u>75,830</u>	
Total Board Designated		<u>12,860,476</u>

Total Endowment Account		<u><u>81,995,688</u></u>
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Museum Collection Account

Invested in Capital Assets	\$ 18,817,981	
Total Museum Collection Account		\$ 18,817,981

Student Housing Account

Invested in Capital Assets	1,946,109	
Unrestricted	<u>630,514</u>	
Total Student Housing Account		<u>2,576,623</u>

Enterprise Center Account

Invested in Capital Assets	1,410,638	
Unrestricted	<u>232,286</u>	
Total Enterprise Center Account		<u>1,642,924</u>

Total Net Position		<u>\$ 113,011,855</u>
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Note 7 - Scholarships

Foundation scholarships are awarded to individuals according to the stipulations placed on the scholarship by the donor or the Foundation. Scholarships are awarded to eligible students through the College Financial Aid Office and certified by the Director of Financial Aid when the requirements in the donor letter of understanding are satisfied.

Scholarship expense was recognized in the following accounts during the year ended December 31, 2022:

From Endowment Accounts	\$ 1,154,367
From Restricted Accounts	192,594
From Unrestricted Accounts	<u>-</u>
Total	<u>\$ 1,346,961</u>

Note 8 - Academic Program Support

The Foundation expended a total of \$1,271,110 for academic program support. In 1994, the Foundation began an endowed chairs program. The expenses for academic program support consisted of the following types of expenses:

Endowed Chairs Program	\$ 326,233
Professional Fees	<u>343,842</u>
Total	<u>\$ 670,075</u>

All chairs are funded from endowed investment earnings. Currently, there are five endowed chair categories:

- Category 1 - Teaching and Learning Environment
- Category 2 - State-of-the-Art Learning
- Category 3 - Cultural Environment
- Category 4 - Educational Environment
- Category 5 - New Initiative

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Note 9 - Support from College of Central Florida

All employees of the Foundation are considered employees of the College. All salaries, benefits, retirement benefits through the Florida Retirement System, and payroll taxes are paid by the College. The Foundation agreed to reimburse the College for a portion of such payroll expenses for the year ended December 31, 2022, based on a memorandum of understanding. Actual expenses of \$720,536 exceeded the payments of \$294,465 made by the Foundation, of which \$426,071 is included as support from the College and personnel expenses in the statement of revenues, expenses, and changes in net position.

Note 10 - Long-Term Liabilities

The Foundation's long-term liabilities include advances, bonds payable, and gift annuities. The following is a schedule of changes in the Foundation's non-current liabilities for the fiscal year ended December 31, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Business-Type Activities					
Long-Term Advances from the College Direct Placement	\$ 380,343	\$ -	\$ 380,343	\$ -	\$ -
Gift Annuity	29,033	-	1,450	27,583	6,100
Lease Liability	<u>6,645,261</u>	<u>41,365</u>	<u>14,192</u>	<u>6,672,434</u>	-
Total Non-Current Liabilities	<u>\$ 7,054,637</u>	<u>\$ 41,365</u>	<u>\$ 395,985</u>	<u>\$ 6,700,017</u>	<u>\$ 6,100</u>

Advances from College of Central Florida, Direct Placement—During December 2003, the Foundation agreed to legally obligate itself to the College in the form of an uncollateralized, non-interest bearing advance to assist with unfunded debt service and operating costs associated with College Square, the student housing complex constructed by the Foundation in 1994. The cumulative total of these advances totaled \$1,180,343, of which the Foundation and the College worked out a repayment plan and began repayment in 2014, the date that the long-term debt associated with the project is paid in full.

Note 11 - Insurance Policies

The Foundation is the owner of two life insurance policies that have cash surrender values totaling \$19,306.

Note 12 - Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Foundation or College carries commercial insurance. Insurance against losses are provided through the Florida Community College Risk Management Consortium and others for the following types of risk:

Workers' Compensation
Health

Property Damage
Liability

There was no significant reduction in insurance coverage from the prior year. Also, there were no settlements in excess of coverage for the past three years.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 13 - Annual Fund and Major Gifts Campaign

The Foundation, at the request of the College, conducts an annual fund campaign to support growth beyond the traditional revenue sources.

Pledges received for temporarily restricted purposes are recorded when made by the donor, less an uncollectible allowance. Pledge receivable activity is summarized as follows:

Pledges Receivable, December 31, 2021, Gross	\$ 1,110,000
Additions	270,106
Payments Received	(1,327,332)
Endowed Pledge	(2,500)
Current Year Write-Offs	<u>(274)</u>
Pledges Receivable, December 31, 2022, Gross	50,000
Allowance for Uncollectible Pledges	<u>(4,000)</u>
Pledges Receivable, December 31, 2022	<u><u>\$ 46,000</u></u>

Shown in the financial statements as:

Current	\$ 46,000
Non-Current	<u>-</u>
Total	<u><u>\$ 46,000</u></u>

All contributions and pledges received for the annual fund and capital campaigns are recorded in the restricted operating account since the Foundation is obligated to spend the resources in accordance with the restrictions imposed by the donors.

OTHER INFORMATION

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2022

	Enterprise Fund						
	Operating		Endowment Account	Museum Collection Account	Student Housing Account	Enterprise Center Account	Total
	Unrestricted Account	Restricted Account					
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 1,992,043	\$ 13,815,663	\$ -	\$ -	\$ 703,415	\$ 226,598	\$ 16,737,719
Pledges Receivable, Current Portion, Net	-	46,000	-	-	-	-	46,000
Prepaid Expenses and Other Current Assets	78,939	-	57,272	-	250	6,239	142,700
Lease Receivable, Current Portion	-	-	-	-	-	252,451	252,451
Total Current Assets	2,070,982	13,861,663	57,272	-	703,665	485,288	17,178,870
Capital Assets, Net							
Capital Assets Not Being Depreciated	345,851	-	-	18,842,981	459,640	-	19,648,472
Capital Assets Being Depreciated, Net	-	-	-	-	1,486,470	8,083,072	9,569,542
Total Capital Assets, Net	345,851	-	-	18,842,981	1,946,110	8,083,072	29,218,014
Non-Current Assets							
Cash and Cash Equivalents - Endowment	-	-	1,159,996	-	-	-	1,159,996
Investments	1,942,577	-	81,612,754	-	-	-	83,555,331
Investments - Gift Annuity	97,171	-	-	-	-	-	97,171
Charitable Remainder Trusts	-	-	27,763	-	-	-	27,763
Cash Surrender Value of Life Insurance	-	-	19,306	-	-	-	19,306
Interfund Advances	217,091	(5,059)	(187,032)	(25,000)	-	-	-
Lease Receivable, Non-Current Portion	-	-	-	-	-	172,855	172,855
Total Non-Current Assets	2,256,839	(5,059)	82,632,787	(25,000)	-	172,855	85,032,422
Total Assets	\$ 4,673,672	\$ 13,856,604	\$ 82,690,059	\$ 18,817,981	\$ 2,649,775	\$ 8,741,215	\$ 131,429,306

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2022

	Enterprise Fund						
	Operating			Museum	Student	Enterprise	
	Unrestricted	Restricted	Endowment	Collection	Housing	Center	
	Account	Account	Account	Account	Account	Account	Total
LIABILITIES							
Current Liabilities							
Accounts Payable and Accrued Expenses	\$ 126,359	\$ -	\$ 67,590	\$ -	\$ -	\$ 108	\$ 194,057
Scholarships Payable	-	83,297	501,338	-	-	-	584,635
Escrow - Housing Deposits	-	-	-	-	73,152	-	73,152
Unearned Revenue	41,543	438	320	-	-	8,186	50,487
Current Portion of Gifts Annuity Payable	-	-	6,100	-	-	-	6,100
Refundable Advance	-	10,300,000	-	-	-	-	10,300,000
Total Current Liabilities	167,902	10,383,735	575,348	-	73,152	8,294	11,208,431
Long-Term Liabilities							
Gift Annuity Payable	-	-	21,483	-	-	-	21,483
Long-Term Portion of Lease Payable	-	-	-	-	-	6,672,434	6,672,434
Total Long-Term Liabilities	-	-	21,483	-	-	6,672,434	6,693,917
Total Liabilities	\$ 167,902	\$ 10,383,735	\$ 596,831	\$ -	\$ 73,152	\$ 6,680,728	\$ 17,902,348
Deferred Inflows of Resources							
Charitable Remainder Trusts	\$ -	\$ -	\$ 27,763	\$ -	\$ -	\$ -	\$ 27,763
Gift Annuity	-	-	69,777	-	-	-	69,777
Leases	-	-	-	-	-	417,563	417,563
Total Deferred Inflows of Resources	\$ -	\$ -	\$ 97,540	\$ -	\$ -	\$ 417,563	\$ 515,103
NET POSITION							
Net Position							
Net Investment in Capital Assets	\$ 345,851	\$ -	\$ -	\$ 18,817,981	\$ 1,946,110	\$ 1,410,638	\$ 22,520,580
Restricted:							
Non-Expendable	-	-	69,135,212	-	-	-	69,135,212
Expendable	-	3,472,869	-	-	-	-	3,472,869
Unrestricted:							
Undesignated	2,086,019	-	-	-	630,513	232,286	2,948,818
Board Designated	2,073,900	-	12,860,476	-	-	-	14,934,376
Total Net Position	\$ 4,505,770	\$ 3,472,869	\$ 81,995,688	\$ 18,817,981	\$ 2,576,623	\$ 1,642,924	\$ 113,011,855

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Fund						
	Operating		Endowment	Museum	Student	Enterprise	Total
	Unrestricted	Restricted					
	Account	Account	Account	Collection	Housing	Center	
				Account	Account	Account	
Operating Revenue							
Private Contributions	\$ 83,542	\$ 468,952	\$ -	\$ -	\$ -	\$ -	\$ 552,494
Rental Income and Fees	10,000	-	-	-	944,136	263,430	1,217,566
Investment Income	(128,455)	1	(9,853,178)	-	-	9,200	(9,972,432)
Special Events	64,805	750	-	-	-	-	65,555
Support from College of Central Florida	476,402	-	-	-	-	-	476,402
Total Operating Revenue	506,294	469,703	(9,853,178)	-	944,136	272,630	(7,660,415)
Operating Expenses							
Program Services:							
Donor Relations	191,266	1,031	-	-	-	-	192,297
Institutional Support	61,669	305,021	601,061	-	-	-	967,751
Scholarships	-	192,594	1,154,367	-	-	-	1,346,961
Academic Program Support	-	-	670,075	-	-	-	670,075
Special Events	45,084	-	-	-	-	-	45,084
Student Housing	-	-	-	-	775,067	-	775,067
Enterprise Center	-	-	-	-	-	304,158	304,158
Total Program Services	298,019	498,646	2,425,503	-	775,067	304,158	4,301,393
Supporting Services							
General Administration	875,564	390	(27)	-	-	-	875,927
Total Support Services	875,564	390	(27)	-	-	-	875,927
Total Operating Expenses	1,173,583	499,036	2,425,476	-	775,067	304,158	5,177,320
Operating Income (Loss)	\$ (667,289)	\$ (29,333)	\$ (12,278,654)	\$ -	\$ 169,069	\$ (31,528)	\$ (12,837,735)

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Fund						
	Operating		Endowment Account	Museum Collection Account	Student Housing Account	Enterprise Center Account	Total
	Unrestricted Account	Restricted Account					
Non-Operating Revenue (Expense)							
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (197,479)	\$ (197,479)
Total Non-Operating Revenue (Expense)	-	-	-	-	-	(197,479)	(197,479)
Change in Net Position Before Endowment							
Contributions and Transfers	(667,289)	(29,333)	(12,278,654)	-	169,069	(229,007)	(13,035,214)
Endowment Contributions and Transfers							
Private Endowment Contributions	-	-	597,563	-	-	-	597,563
Interfund Transfers	646,798	55,258	105,529	-	100,000	137,295	1,044,880
Endowment Reinvestment Fees	-	-	(1,044,880)	-	-	-	(1,044,880)
Capital Contributions	-	-	-	184,925	-	-	184,925
Total Endowment Contributions and Transfers	646,798	55,258	(341,788)	184,925	100,000	137,295	597,563
Change in Net Position	(20,491)	25,925	(12,620,442)	184,925	269,069	(91,712)	(12,252,726)
Net Position, Beginning of Year	4,526,261	3,446,944	94,616,131	18,633,056	2,307,553	1,734,636	125,264,581
Net Position, End of Year	\$ 4,505,770	\$ 3,472,869	\$ 81,995,689	\$ 18,817,981	\$ 2,576,622	\$ 1,642,924	\$ 113,011,855

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE
COMPTROLLER GENERAL OF THE UNITED STATES**

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

Board of Directors
College of Central Florida Foundation, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the College of Central Florida Foundation, Inc. (the Foundation), a component unit of the College of Central Florida, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated June 5, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

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**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**

Report on 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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



June 5, 2023
Ocala, Florida

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