

**INDIAN RIVER STATE
COLLEGE FOUNDATION, INC.**

FINANCIAL STATEMENTS

MARCH 31, 2022

**INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Indian River State College Foundation
Fort Pierce, FL

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Indian River State College Foundation, Inc. (the "Foundation"), a component unit of Indian River State College (the "College"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's 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 respective financial position of the business-type activities of the Foundation as of March 31, 2022, and the respective changes in financial position, and the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Foundation identified certain errors in previously issued financial statements. Additionally, the Foundation determined that the proper accounting framework for its financial reporting is that framework promulgated by the Government Accounting Standards Board (GASB). As a result beginning net position has been adjusted to reflect these changes. Our opinion is not modified with respect to that matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 opinion.

Responsibilities of Management 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, and for 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.

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 opinion. 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 GAAS 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 GAAS 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.

Required Supplementary Information

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, 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 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.

November 30, 2022
Melbourne, FL

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

INDEPENDENT AUDITORS' REPORT END

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
STATEMENT OF NET POSITION
MARCH 31, 2022

ASSETS

Current assets

Cash and cash equivalents	\$	5,238,283
Pledges receivable, current portion, net		1,055,718
Prepaid expenses and other current assets		109,965
Total current assets		6,403,966

Noncurrent assets

Pledges receivable, less current portion, net		1,043,827
Investments		167,387,807
Florida prepaid scholarships		3,235,180
Other noncurrent assets		253,111
Capital assets being depreciated, net		4,761,716
Capital assets not being depreciated		311,712
Total noncurrent assets		176,993,353

Total Assets

\$ 183,397,319

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	\$	3,129,004
Accounts payable to Indian River State College		1,898,751
Current portion of long-term debt		244,407
Unconditional promises to give payable - Indian River State College		10,308,000
Deposits and other obligations		18,745
Unearned revenues		52,135
Total current liabilities		15,651,042

Noncurrent liabilities

Long-term debt, less current portion		4,152,587
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Total liabilities

\$ 19,803,629

NET POSITION

Net position

Unrestricted	\$	47,689,319
Invested in capital assets, net		676,434
Restricted - expendable		84,098,872
Restricted - nonexpendable		31,129,065
Total net position		\$ 163,593,690

The accompanying notes to financial statements
are an integral part of this statement.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2022

Operating revenue	
Contributions, bequests and grants	\$ 9,630,323
Investment income	7,088,178
Rental income	1,179,235
Other operating revenue	38,936
Total operating revenue	17,936,672
 Operating expenses	
Program services - scholarship support to Indian River State College	4,869,290
Program services - nonscholarship support to Indian River State College	3,840,333
Supporting services - general and administrative	1,979,940
Total operating expenses	10,689,563
Operating income	7,247,109
 Nonoperating revenues (expenses)	
Interest expense	(44,923)
Total nonoperating revenues (expenses)	(44,923)
Excess before contributions to permanent endowments	7,202,186
Contributions to permanent endowments	793,264
Change in net position	7,995,450
Net position , beginning of year, as restated (see Note 10)	155,598,240
Net position , end of year	\$ 163,593,690

The accompanying notes to financial statements
are an integral part of this statement.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
MARCH 31, 2022

Cash flows from operating activities	
Receipts from contributions	\$ 7,979,185
Receipts from rental tenants	1,179,235
Payments to Indian River State College for personnel services	(397,175)
Payments to Indian River State College, vendors and suppliers	<u>(12,575,689)</u>
Net cash used in operating activities	<u>(3,814,444)</u>
Cash flows from investing activities	
Purchases of investment securities	(83,828,612)
Proceeds from sales of investment securities	88,607,243
Receipt of interest and dividends	<u>2,223,243</u>
Net cash provided by investing activities	<u>7,001,874</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(327,689)
Principal payments on long-term debt	(233,200)
Interest paid on long-term debt	<u>(44,923)</u>
Net cash used in capital and related financing activities	<u>(605,812)</u>
Cash flows from noncapital financing activities	
Receipts from donors for permanent endowments	793,264
Net increase in cash and cash equivalents	<u>3,374,882</u>
Cash and cash equivalents, beginning of year	1,863,401
Cash and cash equivalents, end of year	<u>\$ 5,238,283</u>
Reconciliation of operating income to net cash used in operating activities	
Operating income	\$ 7,247,109
Adjustments to reconcile operating income to net cash used	
in operating activities	
Depreciation and amortization	435,568
Investment income	(7,088,178)
Changes in assets and liabilities	
Pledges Receivable	(1,590,674)
Prepaid expenses	(109,965)
Florida prepaid scholarships	431,744
Other noncurrent assets	26,396
Accounts payable	3,699,810
Promises to give	(6,692,000)
Deposits and other	(74,855)
Unearned revenue	<u>(99,399)</u>
Net cash used in operating activities	<u>\$ (3,814,444)</u>

The accompanying notes to financial statements
are an integral part of this statement.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

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

The following is a summary of the significant accounting policies of Indian River State College Foundation, Inc. (the Foundation), which affect the significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Foundation is a non-profit corporation organized and operated for the benefit of Indian River State College (the College), which is a unit of the State of Florida, located in Fort Pierce, Florida. The Foundation functions as a direct-support organization of the College and is a component unit (for accounting purposes only) of the College. The Foundation provides support for certain instructional programs at the College, provides equipment grants and facilities for use by the College and its students, and provides scholarships for students.

(b) **Basis of accounting**—The financial statements and related disclosures are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP) for governmental business-type activities. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of timing of cash flows.

To help ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, the net position of the Foundation is reported as follows:

(i) **Net investment in capital assets**—Represents capital assets, net of accumulated depreciation, reduced by the outstanding balance on any bonds, annuity obligations, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of the capital assets.

(ii) **Restricted**—Restricted net position represents net position that is restricted by constraints placed on the use of resources externally imposed by either creditors, grantors, contributors, or laws. Restricted funds include:

Nonexpendable—Represents the nonexpendable portion (corpus) of endowment funds that are subject to donor, grantor or other outside party restrictions for the benefit of various programs at the College. These programs primarily include endowed chairs and professorships, research funding, and scholarships. The corpus of the permanent endowments is retained and reported in nonexpendable endowments net position, while the net earnings or losses on endowment funds are included in expendable net position available for expenditure.

Expendable—Represents funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs at the College and includes the expendable portion of endowment funds. These programs primarily include endowed chairs and professorships, research funding, and scholarships.

(iii) **Unrestricted**—Represents funds that are available without restriction for carrying out the Foundation's objectives.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

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

As a general practice, the Foundation applies restricted resources when an expense relating to the purpose restriction imposed by the outside party is incurred before unrestricted resources are used.

(c) **Operating and nonoperating activities**—Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities that are in support of the College's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, hold, invest and administer charitable contributions for the benefit of the College. Nonoperating revenues and expenses include activities not included in operating revenues and expenses.

(d) **Use of estimates**—Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. These estimates include assessing the collectability of pledges receivable and the fair value of investments. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(e) **Cash and cash equivalents**—For purposes of reporting, demand deposits, certificates of deposits and money market accounts with an original maturity of three months or less are considered cash equivalents.

(f) **Contributions and pledges receivable**—Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in restricted expendable net position. When a restriction is met, the restricted net position is transferred to the unrestricted net position. Promises to give to endowments are recognized when funds are received.

The Foundation records unconditional promises to give at fair value when received and subsequently at net realizable value which is based on prior years' collection experience and management's analysis of specific promises made. The receivables are further discounted to reflect their present value, using a risk adjusted discount rate applicable to the month in which the promises are received. The Foundation determines an allowance for uncollectible receivables based upon management's judgment about such factors as prior collection history, type of contribution, and nature of fundraising activity. Decreases in net realizable value are recognized as provision for uncollectable pledges in the period the decrease occurs. Increases in net realizable value are not recognized unless they represent recoveries of previous provision for uncollectable pledges incurred; increases are recognized as additional contribution revenue when the promise to give is collected.

(g) **Investments and fair value measurements**—The Foundation's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The financial statements are required to disclose information about their fair value determinations via an established framework for measuring. The established framework includes a three-tier hierarchy to maximize the use of observable market data, minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best available

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

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

information. See Note 4 for a summary of the inputs used as of March 31, 2022, in determining the fair value of the Foundation's investments.

(h) **Florida prepaid scholarships**—The Foundation is the owner of prepaid college tuition plans purchased from the Florida Prepaid College Board. The amounts are recorded at the actuarial present value of the estimated contract benefits that will be paid in future years and reduced/expensed as used by the beneficiary.

(i) **Capital assets**—Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years and are recorded at historical cost. If contributed, the asset, with the exception of the collection of decorative and propaganda arts, is recorded at its fair value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions are recorded as unrestricted support. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years. Capital assets, net of accumulated depreciation, are reported as capital assets in the statements of net position.

(j) **Artwork and other items**—Major non-cash contributions of inexhaustible items or items held for future use or disposition for which a market value is determinable are capitalized at market value on the date of the donation and are included with artwork and other items in the financial statements.

(k) **Income taxes**—The Foundation is exempt from federal income taxes, under the provisions of the Internal Revenue Code 501(c)(3) and is not considered a private foundation.

(l) **Rental income**—The Foundation operates River Hammock, a 188 unit student residence facility that houses students and charges monthly rent of \$650 per student. All leases are short term in nature (12 months or less).

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

Cash and cash equivalents include cash in bank demand accounts, money market funds, and petty cash. Cash and cash equivalents at March 31, 2022 are as follows:

Bank demand accounts	\$ 3,984,198
Money market accounts	1,253,885
Petty cash	200
Total cash and cash equivalents	<u>\$ 5,238,283</u>

Cash in bank demand accounts are held in banks qualified as public depositories under Florida law. All such deposits are insured by federal depository insurance, up to specific limits, or collateralized with securities held in Florida's multiple financial institutional collateral pool required by Florida Statutes, Chapter 280. Money market funds are uninsured and collateralized by securities held by the institution. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. The Foundation has no formal policy for custodial credit risk, but manages liquidity to minimize exposure of uninsured balances.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

(3) **Investments:**

The goals of the Foundation’s investment program for endowments and other investments are set forth in the investment policy as approved by the Foundation’s Board. The goal is to provide a total return from the assets invested that will preserve the purchasing power of those assets and, additionally for endowment invested assets, to also generate an income stream to support the activities of the College. The investment policy provides guidelines as to risk and investment time horizon but does not address specific types of risks such as credit risk, interest rate risk and foreign currency risk that the Foundation may be exposed to as outlined below. Investments at March 31, 2022, are summarized as follows:

Investment Type	Amount
U.S. Government bonds and agency securities	\$ 16,386,890
Domestic common stock	19,447,370
Foreign common stock	1,509,123
Real estate investment trusts	568,517
Exchange traded funds	24,333,646
Mutual funds – equities	67,300,730
Mutual funds – fixed income	22,122,257
Alternative funds	15,719,274
	\$ 167,387,807

Credit risk and interest rate risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation’s policy for managing its exposure to fair value loss occurring from interest rate risk is through maintaining diversification of its investments and investment maturities so as to minimize the impact of downturns in the market as stated above. The Foundation’s investments in fixed income mutual funds include investments in the DoubleLine Total Return Bond Fund, the Vanguard Total Bond Market Index Fund, and the Western Asset Core Plus Bond Fund, all of which are subject to credit risk and interest rate risk.

The DoubleLine Total Return Bond Fund had a balance of \$4,719,104, at March 31, 2022. The effective average duration of securities held in the fund is 7.26 years. The credit quality distribution of the fund is as follows:

Cash	3.60%
Government	11.52%
Agency	39.34%
Investment Grade	20.15%
Below Investment Grade	10.43%
Unrated Securities	14.96%
Total	100.00%

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

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

The Vanguard Total Bond Market Index Fund had a balance of \$9,338,328, at March 31, 2022. The effective average duration of securities held in the fund is 8.9 years. The credit quality distribution of the fund is as follows:

U.S. Government	67.10%
AAA	3.80%
AA	3.00%
A	11.70%
BBB	14.40%

The Western Asset Core Plus Bond Fund had a balance of \$8,064,824, at March 31, 2022. The effective average duration of securities held in the fund is 7.66 years. The credit quality distribution of the fund is as follows:

AAA	42.13%
AA	5.62%
A	14.10%
BBB	22.15%
<BBB	11.58%
Not Rated	4.43%

Alternative Funds. The Foundation’s portfolio includes alternative investment funds (“Funds”) as of March 31, 2022. The Funds’ investments are subject to various risk factors including market, credit, and currency risk. The Funds’ investments are made in the United States and internationally and thus have concentrations in such regions. The Funds’ investments are also subject to the risk associated with investing in private equity securities. The investments in private equity securities are generally illiquid, and there can be no assurance that the fund will be able to realize the value of such investments in a timely manner.

The Funds have invested, for purposes of capital appreciation, in various underlying funds that vary by size, industry and geographical concentration. Investment performance of an industry sector in which the Funds have a concentration of investments may have a significant impact on the performance of the Funds.

The Funds participate in assets and securities of non-U.S. issuers. Investments of this type may be subject to significant price fluctuations and above-average risk. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to currency exchange matters, differences between the and non-U.S. securities markets, certain economic and political risks, and the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

(4) **Fair Value Measurements:**

GASB Statement No. 72, Fair Value Measurement and Application, establishes a framework for determining fair value through a hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The three-level valuation hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3):

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that an entity has the ability to access at the measurement date;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 – Inputs that are unobservable, about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Foundation uses the market approach valuation technique to value its investments. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

There have been no changes in the methodologies used at March 31, 2022. Following is a description of the valuation methodologies use for assets measured at fair value.

Equity investments and exchange traded funds that are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sale price, or in the absence of a recorded sale, at a value between the most recent bid and asked prices.

Mutual funds held by the Foundation which are deemed to be actively traded, are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

U.S. Government and agency securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yield currently available on comparable securities of issuers with similar credit ratings.

Alternative investments for which quoted market prices are not available include hedge funds and private investments. The estimated fair value of alternative investments is based on the net asset value of the fund or other valuation methods. The Foundation reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of the alternative investments. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed and differences could be material.

Most private equity funds are structured as closed-end, commitment-based investment funds where the entity commits a specified amount of capital upon inception of the fund (i.e., committed capital) which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors, and subsequent to final closing, do not permit subscriptions by new or existing investors. Accordingly, the entity generally holds interests in such funds for which there is no active market. These funds are generally measured at fair value using NAV as a practical expedient.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

(4) Fair Value Measurements: (Continued)

The following tables present the assets carried on the statements of net position by level within the valuation hierarchy as of March 31, 2022.

	Assets at Fair Value as of March 31, 2022			
	Level 1	Level 2	Level 3	Total
U.S. government bonds and agency securities	\$ -	\$ 16,386,890	\$ -	\$ 16,386,890
Domestic common stock	19,447,370	-	-	19,447,370
Foreign common stock	1,509,123	-	-	1,509,123
Real estate investment trusts	568,517	-	-	568,517
Exchange traded funds	24,333,646	-	-	24,333,646
Mutual funds – equities	67,300,730	-	-	67,300,730
Mutual funds – fixed income	22,122,257	-	-	22,122,257
Total	\$ 135,281,643	\$ 16,386,890	\$ -	\$ 151,668,533
Investments measured at NAV (a)				15,719,274
Investments at fair value				\$ 167,387,807

- (a) In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Net Position.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of March 31, 2022.

	Fair Value	Unfunded Commitments	Withdrawal Frequency	Redemption Notice Period
Harbourvest 2015 Global	\$ 963,372	\$ 150,000	(b)	N/A
Harbourvest 2016 Global	924,278	230,000	(b)	N/A
Harbourvest 2017 Global	898,731	285,000	(b)	N/A
Harbourvest Access 2018	926,077	350,000	(b)	N/A
ISQ Global Infrastructure	483,197	130,088	(b)	N/A
Pointer Offshore Series 1	4,612,413	-	(b)	N/A
Harbourvest Access 2019	669,299	490,000	(b)	N/A
Pointer Offshore Series 2	1,101,390	-	(c)	(c)
SVB Capital	549,768	470,300	(b)	N/A
Harbourvest Access 2020	592,452	455,000	(b)	N/A
US Real Estate Investment	3,998,296	-	(d)	(d)

- (b) These funds have a 10 year lock up period with three additional 1 year lockup extensions at the discretion of the general partner.
- (c) This fund has a 2 year initial lock up term. Investors can access up to 50% of their capital semiannually at June 30 and December 31, with written notice to be received by 3.5 months prior to the redemption date.
- (d) This fund allows outstanding redemption interests to be accommodated as liquid assets permit, or, if liquid assets are insufficient to satisfy all such redemption interests, by means of one or more partial payments made on a pro rata basis with respect to all such redemption interests as of the last day of each calendar quarter. Redemption notice is required 90 days prior to a calendar quarter end.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

(5) **Capital Assets:**

Capital asset activity for the year ended March 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 251,407	\$ -	\$ -	\$ 251,407
Construction in progress	-	60,305	-	60,305
Capital assets not being depreciated	<u>\$ 251,407</u>	<u>\$ 60,305</u>	<u>\$ -</u>	<u>\$ 311,712</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 9,624,513	\$ 112,939	\$ -	\$ 9,737,452
Equipment	793,488	154,445	146,583	801,350
	<u>10,418,001</u>	<u>267,384</u>	<u>146,583</u>	<u>10,538,802</u>
Accumulated depreciation:				
Buildings and improvements	(4,927,412)	(420,158)	-	(5,347,570)
Equipment	(560,689)	(15,410)	146,583	(429,516)
Accumulated depreciation	<u>(5,488,101)</u>	<u>(435,568)</u>	<u>146,583</u>	<u>(5,777,086)</u>
Capital assets being depreciated, net	<u>\$ 4,929,900</u>	<u>\$ (168,184)</u>	<u>\$ -</u>	<u>\$ 4,761,716</u>

(6) **Pledges Receivable:**

Pledges receivable are recorded in the Statements of Net Position for restricted accounts at net realizable value in accordance with GASB 33. Pledges receivable were discounted using a discount rate of 3.0% and an allowance for bad debts as of March 31, 2022.

Pledges receivable as of March 31, 2022, are:

<u>Year Ending March 31,</u>	<u>Amount</u>
2023	\$ 1,055,718
2024	1,047,696
2025	90,000
2026	65,000
2027	35,000
Thereafter	<u>32,500</u>
Subtotal pledges	2,325,914
Less: Allowance for bad debts	110,502
Less: Present value discounts	<u>115,867</u>
Total pledges receivable, net	2,099,545
Less: Current portion of pledges receivable	<u>1,055,718</u>
Long-term portion of pledges receivable	<u>\$ 1,043,827</u>

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

(7) Long-Term Debt:

Long-term debt consists of a promissory note to a bank with a balance of \$4,396,994 at March 31, 2022, secured by all income related to student housing, with monthly payments of \$25,932, including interest at 1.7% per annum, maturing April 1, 2038.

A summary of changes in long-term debt activity for the year ended March 31, 2022 is as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
\$ 4,630,194	\$ -	\$ 233,200	\$ 4,396,994	\$ 244,407

Maturities of the long-term debt are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 244,407	\$ 66,779	\$ 311,186
2024	242,476	68,710	311,186
2025	246,630	64,556	311,186
2026	250,855	60,331	311,186
2027	255,153	56,033	311,186
2028 – 2032	1,342,856	213,073	1,555,929
2033 – 2037	1,461,903	94,026	1,555,929
2038 – 2039	352,714	3,698	356,412
Total	<u>\$ 4,396,994</u>	<u>\$ 627,206</u>	<u>\$ 5,024,200</u>

(8) Commitments:

In March 1994, the Foundation entered into a 99-year lease agreement with Indian River State College for 2.5 acres of land located at the main college campus. Rent for the entire term of the lease was \$99.

The Foundation has given conditional promises to pay scholarships under the Take Stock in Children program to certain children, conditioned upon their maintaining certain standards until they graduate from high school. Florida Prepaid Tuition Vouchers have been purchased to fulfill this commitment. Scholarship expense is recognized when the students have met the conditions of the award and the tuition vouchers are transferred to their name.

Unconditional promises to give payable on the Statement of Net Position are generally due within a one-year period and consist of scholarships awarded and grants to Indian River State College for programs, equipment and facilities.

(9) Restricted Net Position:

At March 31, 2022, the restricted nonexpendable endowments net position consisted of endowment funds. Investment earnings earned by endowment funds are available for spending based on the Foundation's spending policy. The spending rate is determined by the Foundation's Board at its annual meeting. The spending rate for the year ending March 31, 2022, was 5% to support donor-designated scholarships and programs and administrative fees. The spendable earnings are recorded as increases to the restricted expendable net position.

INDIAN RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

(9) **Restricted Net Position:** (Continued)

At March 31, 2022, the restricted expendable net position includes undistributed earnings related to endowment funds, which represents gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. Restricted expendable amounts also include earnings on permanently restricted endowments that have not yet been appropriated for expenditure. All excess earnings and spending appropriations not distributed will remain as part of the endowment fund to hedge against inflation and other threats to loss of purchasing power.

The Foundation follows the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and its own governing documents. FUPMIFA requires the Foundation to prudently manage its funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under FUPMIFA. The majority of the Foundation's donors have placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

(10) **Prior Period Adjustment and Change in Reporting Framework:**

During the year ended March 31, 2022, the Foundation identified certain errors in previously issued financial statements. Additionally, the Foundation determined that the proper accounting framework for its financial reporting as a component unit of the College is that framework promulgated by the Government Accounting Standards Board (GASB), as opposed to the framework that it had previously followed in the preparation of its financial statements, which was that promulgated by the Financial Accounting Standards Board (FASB). As a result, beginning net position in the Statement of Revenues, Expenses, and Changes in Net Position has been restated to correct these errors and convert the financial statements to the GASB reporting model.

Net position, March 31, 2021 , as previously reported	\$ 173,876,011
Adjustment to notes payable for capitalized loan costs not recordable under GASB	(18,295)
Adjustment to pledges receivable for endowment pledges not recordable under GASB	(55,415)
Adjustment to pledges receivable for pledges lacking sufficient support	(125,000)
Adjustment to accrued expenses for unrecorded payroll liabilities	(105,002)
Adjustment to accounts payable for overstated balances	1,488,056
Adjustment to promises to give payable for unrecorded amounts pledged to College	(17,000,000)
Adjustment to Florida prepaid scholarships for error in balance	(2,462,115)
Net position, March, 31, 2021 , as restated	<u><u>\$ 155,598,240</u></u>



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

To the Board of Directors
Indian River State College Foundation, Inc.
Fort Pierce, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Indian River State College Foundation, Inc. (the "Foundation"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's financial statements, and have issued our report thereon dated November 29, 2022.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

November 30, 2022
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP

**INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING END**