

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Florida Polytechnic University Foundation, Inc.
Lakeland, Florida

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Florida Polytechnic University Foundation, Inc. (the Foundation), as of and for the year ended June 30, 2023, 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 respective financial position of the Foundation, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 (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 Auditors' 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 the 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.

Auditors' 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 auditors' 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 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, 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

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 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 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.



CliftonLarsonAllen LLP

Orlando, Florida
November 20, 2023

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The management's discussion and analysis of Florida Polytechnic University Foundation, Inc. (Foundation), a component unit of Florida Polytechnic University (University), financial performance provides an overview of the Foundation's financial activities for the year ended June 30, 2023. It should be read with the accompanying financial statements and notes.

The Foundation was established in 2012, and the current Chief Executive Officer began serving in September 2019. Until fiscal year 2020, the University managed the Foundation's accounting utilizing shared resources allowing the Foundation to begin build its investments through fundraising. Beginning in FY2020, the Foundation separated accounting from the University Finance and Administration Division and began managing the Foundations finances independently.

The Director of Advancement Operations (Director) retired in April 2023 after serving from FY20 and was responsible for the transition of the accounting system from the University to the Foundation. This is the third audit of the Foundation and the first audit since the Director retired. A staff accountant was hired in February 2023 to train with the Director before his retirement in April 2023. The current staff accountant performed her first audit for the Foundation for FY23. In addition, a part-time accounting consultant was subsequently hired in June 2023 to assist the staff accountant and provide an additional layer of oversight for the Foundation.

Financial Highlights

As of June 30, 2023, the Foundation reported total assets of \$13,652,470, total liabilities of \$2,289,258, and a net position of \$11,363,212. The Foundation is a not-for-profit corporation incorporated in the State of Florida and reports financial information in accordance with the Governmental Accounting Standards Board (GASB).

Overview of the Financial Statements

The basic financial statements consist of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

Statement of Net Position – The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Foundation, using the accrual basis of accounting, and presents the financial position of the Foundation at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position, which is one indicator of the Foundation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Foundation's financial condition.

The Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position presents the Foundation's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Statement of Net Position

As noted above, net position may serve, over time, as a useful indicator of a government's financial position. The following schedules provide a summary of assets, liabilities, and net position and changes in net position of the Foundation:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
ASSETS			
Cash and Cash Equivalents	\$ 890,379	\$ 627,686	\$ 262,693
Investments	7,199,522	6,095,923	1,103,599
Contributions Receivable, Net	<u>5,562,569</u>	<u>2,403,485</u>	<u>3,159,084</u>
Total Assets	<u>\$ 13,652,470</u>	<u>\$ 9,127,094</u>	<u>\$ 4,525,376</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable & Due to University	\$ 39,258	\$ 32,144	\$ 7,114
Other Liabilities	<u>2,250,000</u>	<u>2,750,000</u>	<u>(500,000)</u>
Total Liabilities	<u>2,289,258</u>	<u>2,782,144</u>	<u>(492,886)</u>
NET POSITION			
Restricted:			
Expendable	6,024,782	2,005,233	4,019,549
Nonexpendable Endowments	3,859,611	3,532,862	326,749
Unrestricted	<u>1,478,819</u>	<u>806,855</u>	<u>671,964</u>
Total Net Position	<u>11,363,212</u>	<u>6,344,950</u>	<u>5,018,262</u>
Total Liabilities and Net Position	<u>\$ 13,652,470</u>	<u>\$ 9,127,094</u>	<u>\$ 4,525,376</u>

Total assets as of June 30, 2023, were \$13,652,470, an increase of \$4,525,376 from the prior year. Total assets increased due to an increase in all asset categories. Total liabilities showed a decrease of \$492,886 due mostly to the \$500,000 revenue recognized from a deferred gift. The Foundation's net position as of June 30, 2023, was \$11,363,212, an increase of \$5,018,262 from the prior year.

As of June 30, 2023, approximately 87% of the Foundation's net position was restricted, of which approximately 34% is considered nonexpendable for endowments. The remaining 53% restricted is for scholarships, capital funding, academic advancement, and student activities. The remaining balance of net position, or approximately 13% of the total net position, is unrestricted and may be used to meet the Foundation's unrestricted obligations.

**FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>2022</u>	Increase (Decrease)
REVENUES			
Contributions, Net of Allowance and Discounts	\$ 5,464,458	\$ 2,916,649	\$ 2,547,809
Investment Earnings/(Losses)	686,121	(997,089)	1,683,210
University Support	<u>276,800</u>	<u>-</u>	<u>276,800</u>
Total Revenues	<u>6,427,379</u>	<u>1,919,560</u>	<u>4,507,819</u>
EXPENSES			
Services and Supplies	928,369	599,719	328,650
Scholarships, Fellowships, and Waivers	281,683	570,309	(288,626)
Other Operating Expenses	<u>199,065</u>	<u>125,651</u>	<u>73,414</u>
Total Expenses	<u>1,409,117</u>	<u>1,295,679</u>	<u>113,438</u>
CHANGE IN NET POSITION	5,018,262	623,881	4,394,381
Net Position - Beginning of Year	<u>6,344,950</u>	<u>5,721,069</u>	<u>623,881</u>
NET POSITION - END OF YEAR	<u>\$ 11,363,212</u>	<u>\$ 6,344,950</u>	<u>\$ 5,018,262</u>

Contributions to the Foundation totaled \$5,464,458, an increase of \$2,547,809 from the prior year. Contributions to the Foundation represent unrestricted, scholarship, and endowment support. Investment income increased by \$1,683,210 from the prior year mostly due to market performance increases along with investment of current year gifts. The university is now reporting \$276,000 of non-cash revenue which represents payroll, benefits, and occupancy expenses paid by Florida Polytechnic University on behalf of the Foundation. These related expenses are recorded in services and supplies within operating expenses.

Service and supplies expenses increased by \$328,650 due to added consultant expense for the Foundation's first fundraising campaign, audit expenses incurred for a mandated audit by the Board of Governors for all State University Direct Support Organizations, along with the non-cash expenses paid for by the University as mentioned before. Scholarships, fellowships, and waivers expense decreased by \$288,626 due to a decrease in funding to the university during fiscal year 2023. Other operating expenses increased by \$73,414, mostly related to increased academic program expenses.

**FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Economic Factors

The Foundation was able to increase contributions by 87.4% during the year which is a testament to the continued effort of the Advancement staff to utilize the best practice known as “moves management taking qualifying prospects from initial conversations of support for the Foundation culminating in the donor’s investment supporting the University through the Foundation. It is the objective of the Foundation to be a strong advocate for funding resources ensuring the university meets the strategic mission to serve students and industry through excellence in education, discovery, and application of engineering and applied sciences.

The Foundation is the final year of the *Be the Changemakers: The Campaign for Florida Polytechnic University*. The campaign’s goal is to raise \$20M dollars in support of The Florida Poly Innovation Fund (unrestricted), Student Success (scholarships) and Academic Advancement (faculty, staff, and academic programmatic funds). The campaign is over 65% towards its goal and the Foundation is poised to have another strong year to meet or exceed the campaign goal.

Request for Information

If you have any questions concerning the basic financial statements or other accounting information in this report, please contact the Foundation at:

Florida Polytechnic University Foundation
Kathleen (Kathy) Bowman, VP (Vice President) Advancement & CEO (Chief Executive Officer)
4700 Research Way, Lakeland, FL 33805

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 160,669
Cash and Cash Equivalents - Restricted	729,710
Investments	86,915
Pledge Receivable	941,603
Total Current Assets	1,918,897

NONCURRENT ASSETS

Pledge Receivable, Net	4,620,966
Restricted Noncurrent Assets:	
Investments - Endowment	3,510,727
Investments - Restricted for Other Long-Term Purpose	3,601,880
Total Noncurrent Assets	11,733,573

Total Assets	\$ 13,652,470
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LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 752
Due to University	38,506
Other Liabilities	2,250,000
Total Current Liabilities	2,289,258

NET POSITION

Restricted:	
Expendable:	
Scholarships	3,822,077
Capital Projects	1,697,705
Academia	505,000
Nonexpendable Endowments	3,859,611
Unrestricted	1,478,819
Total Net Position	11,363,212

Total Liabilities and Net Position	\$ 13,652,470
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See accompanying Notes to Financial Statements.

**FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023**

REVENUES

Contributions, Net of Allowance and Discounts	\$ 5,464,458
University Support	<u>276,800</u>
Total Revenues	<u>5,741,258</u>

EXPENSES

Services and Supplies	928,369
Scholarships, Fellowships, and Waivers	281,683
Other Operating Expenses	<u>199,065</u>
Total Expenses	<u>1,409,117</u>

OPERATING INCOME

4,332,141

NONOPERATING REVENUES (EXPENSES)

Realized Losses on Investments, Interest, and Dividends	(12,654)
Unrealized Gain on Investments	<u>698,775</u>
Total Nonoperating Revenues (Expenses)	<u>686,121</u>

CHANGE IN NET POSITION

5,018,262

Net Position - Beginning of Year

6,344,950

NET POSITION - END OF YEAR

\$ 11,363,212

See accompanying Notes to Financial Statements.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Contributions	\$ 1,805,374
Cash Payments for Services and Supplies	(644,455)
Cash Payments for Scholarships, Fellowships, and Waivers	(281,683)
Cash Payments for Other Operating Expenses	(199,065)
Net Cash Provided by Operating Activities	680,171

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(1,293,837)
Proceeds from Sale of Investments	662,657
Receipts from Interest and Dividends	213,702
Net Cash Used by Investing Activities	(417,478)

NET INCREASE IN CASH AND CASH EQUIVALENTS

262,693

Cash and Cash Equivalents - Beginning of Year

627,686

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 890,379

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 4,332,141
Changes in Assets and Liabilities:	
Accounts Receivable	(3,159,084)
Accounts Payable	(31,392)
Due to University	38,506
Deferred Revenue	(500,000)
Total Adjustments	(3,651,970)
Net Cash Provided by Operating Activities	\$ 680,171

See accompanying Notes to Financial Statements.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Florida Polytechnic University Foundation, Inc. (the Foundation) was incorporated on October 30, 2012. Foundation was formed as a direct-support organization in accordance with Section 1004.28, Florida Statutes, and operates exclusively for the benefit of Florida Polytechnic University (the University). The Foundation is considered a component unit of the University. The governing body of the Foundation is the board of directors (the Board). The Board is comprised of not less than 3 and not more than 45 elected directors, revised by the nominations committee, elected by the Board, and confirmed by the University board of trustees. The Foundation's purpose is to receive, hold, invest and administer property and to make expenses to or for the benefit of the University by encouraging alumni and friends to provide private funds and other resources for the University's benefit, to manage those assets, to provide volunteer leadership in support of the University's objectives and to perform all business matter to accomplish these purposes, and to exercise rights in intellectual property for the benefit of the University.

Reporting Entity

According to the Foundations by-laws and Section 1004.28, Florida Statutes, the University board of trustees shall approve all appointments to the Foundation Board, resulting in University control of the Board. Therefore, the Foundation's financial statements are prepared in accordance with generally accepted accounting principles applicable to governmental nonprofit organizations as prescribed by the Governmental Accounting Standards Board (GASB).

In evaluating the Foundation as a reporting entity, there were no component units identified for which the Foundation is considered financially accountable.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting coupled with an economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Foundation applies accounting and financial reporting standards applicable to governmental entities. Accordingly, the Foundation applies statements issued by the Governmental Accounting Standards Board.

The Foundation is engaged only in business-type activities and is required to present the financial statements required for enterprise funds which are part of proprietary funds.

Proprietary funds account for their activities similar to those found in the private sector, where cost recovery and the determination of net income are useful or necessary for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial net position and cash flows. Currently, the Foundation reports its proprietary fund activities in a single enterprise fund.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances held for restricted purposes are shown as restricted cash on the statement of net position and are excluded from cash and cash equivalents.

Contributions Receivable

The Foundation accounts for its pledges in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Unrestricted and restricted contributions receivable are recorded in the statement of net position. If management expects the cash from the contribution receivable to be received more than one year in the future, the promises to give revenue and receivable are discounted for the time value of money (i.e., net present value). Endowment pledges are not recognized in the statement of net position. These contributions are not revalued in subsequent years and the Foundation has not elected the fair value option. Discount amortization is recognized as contribution revenue in subsequent years.

Management reviews, and if applicable, estimates an allowance for uncollectible promises based on historical write-offs. Contributions are reported at net realizable value in the initial year and a discount is recorded, if applicable.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities and money market accounts. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. The realized and unrealized gain or loss on investments is reflected in the statement of revenue, expenses, and change in fund balance.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that change in the fair values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Investment Income

Gains or losses on the sale of the investments are based on the weighted-average cost method. Realized gains (losses) are recognized based on the trade date for investments sold during the year. For investments held as of year-end any changes in fair value during the year are recorded as unrealized gains (losses) for the year. Interest and dividend income is recognized as revenue in the period earned.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Classification of net position is defined as follows:

- **Restricted Net Position** – This category represents the net position of the Foundation which is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

Expendable – This portion of restricted net position comprises expendable funds with restrictions to use for the benefit of various programs at the University, including the expendable portion of endowment funds.

Nonexpendable – This portion of restricted net position consists of nonexpendable funds with restrictions to use for the benefit of various programs at the University. The corpus of the permanent endowments are retained while the net earnings or losses on endowment funds are included in expendable funds available for expense.

- **Unrestricted Net Position** – Represents funds that are available without restriction for carrying out the Foundation's objectives.

Net Position Flow Assumption – Sometimes the Foundation will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Foundation's policy to consider restricted funds to have been depleted before unrestricted funds are applied.

Revenue Recognition

The Foundation recognizes gifts of cash, investment securities, or pledges receivable as revenue when all eligibility requirements have been met with the exception of pledges to the endowment which are recognized when funds are received. Donations of securities and other nonmonetary items are recorded as revenue based on their acquisition value at the date of the gift. Donated services are not recognized by the Foundation. Conditional promises to give are not recognized until the condition has been met.

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 University'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 University. Operating revenues also include University related support. Nonoperating revenues include investment returns.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Foundation is a nonprofit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Unrelated business income, as defined by Section 509(a)(1) of the IRC is subject to federal income tax. The Foundation currently has no unrelated business taxable income. Accordingly, no provision for income taxes has been recorded.

The Foundation has reviewed and evaluated the relevant technical merits of its tax position in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

Compensated Absences, Other Postemployment Benefits, and Pension Liability

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.920, Florida Administrative Code. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. Employees also accrue retirement benefits for pension and other postemployment benefits over the time of employment at the University. Since all the employees who work for the Foundation are considered employees of the University, this compensated absences liability, along with liabilities for pensions and other postemployment benefits, is reported by the University and therefore is not reflected on the Foundation's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 20, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents, and Restricted Cash

At June 30, 2023, the recorded amount of cash, cash equivalents, and restricted cash of the Foundation's deposits was \$890,379. Operating bank account balances as of June 30, 2023, were \$835,944. Cash equivalents as of June 30, 2023, include \$70,345 of money market funds held in brokerage accounts with an average duration of less than one year and a credit rating of AAA. Restricted cash at June 30, 2022, was restricted by donor purposes for reasons set forth by the gifts they represent.

Custodial Credit Risk – Deposits

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. Cash deposits consist of noninterest-bearing demand deposits, money market accounts and cash deposits.

At June 30, 2023, \$570,034 in cash deposits are not insured by federal deposit insurance and are not collateralized.

Investments

The goal of the Foundation's investments is set forth in the investment policy manual as approved by the Foundation's board of directors. Such goal is designed to maximize growth, minimize risk, and provide lasting income in support of the University. The investment policy manual also provides information on asset classes, target allocations and ranges of acceptable investment categories. However, the policy does not address specific types of risks such as credit risk and interest rate risk that the Foundation may be exposed to as outlined below.

Investments are allocated across the following investment strategies at June 30, 2023:

Equity Mutual Funds	\$ 4,712,001
Bonds Mutual Funds	<u>2,487,521</u>
Total Investments	<u><u>\$ 7,199,522</u></u>

Custodial Credit Risk – Investments

Custodial credit risk for investments 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 possession of an outside party. It is the Foundation's policy to require that all securities be held by the Foundation's agent in the Foundation's name. The Foundation's investments as of June 30, 2023, are uninsured and registered with securities held by the Foundation's agent in the Foundation's name.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law does not limit investment options of the Foundation. The Foundation had no policy on credit risk. Presented below is the actual rating as of June 30, 2023, for each type of investment.

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
Mutual Funds:		
Equity Funds	NR	\$ 4,712,001
Bonds Funds	NR	2,487,521
Total Investments		<u>\$ 7,199,522</u>

Interest Rate Risk

Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Foundation had no policy on interest rate risk.

As of June 30, 2023, the Foundation had the following investments and related maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Less than 1 year</u>	<u>1 - 5 Years</u>	<u>> 5 Years</u>
Mutual Funds:				
Equity Funds	\$ 4,712,001	\$ 4,712,001	\$ -	\$ -
Bonds Funds	2,487,521	2,487,521	-	-
Total Investments	<u>\$ 7,199,522</u>	<u>\$ 7,199,522</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value through a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The fair value hierarchy prioritizes the inputs into three broad levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that government can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability either directly or indirectly.

Level 3 – Unobservable inputs for an asset or liability.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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 value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables present the assets measured at fair value on a recurring basis on the statements of net position for the year ended June 30, 2023, by the GASB Statement No. 72 hierarchy (as described above).

Investment Type	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Mutual Funds:				
Equity Funds	\$ 4,712,001	\$ 4,712,001	\$ -	\$ -
Bonds Funds	2,487,521	2,487,521	-	-
Total Investments	<u>\$ 7,199,522</u>	<u>\$ 7,199,522</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 PLEDGE RECEIVABLE

Pledges receivable and the related allowance for potentially uncollectible amounts are summarized as follows at June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 941,603
2025	859,500
2026	841,500
2027	831,500
2028 and Beyond	<u>2,917,500</u>
Gross Contributions Receivable	6,391,603
Less: Discount for Present Value	(829,034)
Less: Allowance for Doubtful Contributions Receivable	-
Net Contributions Receivable	<u>\$ 5,562,569</u>

Noncurrent pledges receivable are net of discounts on future payments using a risk-free interest rate at the time the pledge was initially recognized. Discount rates used for pledges currently outstanding range from 3.01% to 4.13%.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 4 OTHER LIABILITIES – DEFERRED GIFT

The Foundation has \$2,250,000 in other liabilities as of year ended June 30, 2023. During fiscal year 2014, an anonymous donor gave \$5,000,000 to the Foundation. According to the stipulations of the second amendment to the donation agreement, \$250,000 was returned to the donor in fiscal year 2015. \$2,000,000 of the donation was designated for unrestricted purposes. Funds were available in a dollar for dollar match as donations were received from additional donors. During fiscal year June 30, 2014, \$447,200 was matched and recognized as revenue. During fiscal year-end June 30, 2015, the remaining \$1,552,800 was matched, collected, and recognized as revenue. The remaining \$2,750,000 could be used until the anonymous donor and Foundation enter an agreement as to how the funds will be released. The second amendment of the donation agreement states, if a written agreement is not reached on or before August 1, 2015, the anonymous donor may at any time thereafter, upon its written request remove the remainder of the donation. If this event occurs, the Foundation is required to return the \$2,750,000 to the anonymous donor within 30 days of the anonymous donor's written request. During the year ended June 30, 2023, the donor and the university came to an agreement to utilize \$500,000 on a high-level endowed chair (Distinguished Chair). This \$500,000 was released and no longer subject to being returned. As of the issuance of the June 30, 2023, financial statements, an agreement has not been reached with the anonymous donor on the usage of the remainder of the funds, although on-going discussions have/are taking place between the University and the anonymous donor in regards to status of designated benchmarks. To date, the anonymous donor has not requested the funds be returned.

NOTE 5 ENDOWMENT

The Foundation's endowment balance is comprised of funds established for the purposes of scholarships. As of June 30, 2023, the balance was \$3,576,196 of which \$3,859,611 was nonexpendable and \$283,415 is a reduction of unrestricted net position, to cover the investment losses.

The Foundation authorizes expenses for the uses and purposes for which endowment funds were established.

The Foundation is allowed to spend a portion of the total return on endowment funds for current year needs. Any remainder of the total return is to be reinvested to keep pace with and exceed inflations. The total spending rate for each fund is determined by the finance committee on an annual basis and is approved by the Foundation Board.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 6 RELATED PARTY TRANSACTIONS

The Foundation contributed \$595,137 to the University for the year ended June 30, 2023. As of June 30, 2023, \$30,506 remains due to the university.

For the year ended June 30, 2023, contribution revenue from the Foundation board of directors and University board of trustees totaled \$69,253. Pledges receivables from board members at June 30, 2023, were \$52,584.

The Foundation is the primary fundraiser for the University; in return, the University provides administrative and fundraising support to the Foundation for salaries and related benefits which is reported as University Support on the statement of revenues, expenses, and changes in net position.

NOTE 7 CONCENTRATIONS

Approximately 67% of the total revenue recorded during the year ended June 30, 2023, was from one donor. The same donor also has outstanding pledges which represent 69% of total pledge receivables as of June 30, 2023.



**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***

Board of Directors
Florida Polytechnic University Foundation, Inc.
Lakeland, 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 Florida Polytechnic University Foundation, Inc. (Foundation), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 20, 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

We consider the deficiency described in the accompanying schedule of findings and responses as items 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as items 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

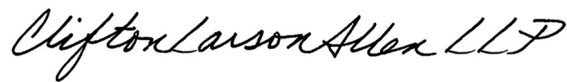
As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Florida Polytechnic University Foundation, Inc.’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Florida Polytechnic University Foundation, Inc.’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Florida Polytechnic University Foundation, Inc.’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



CliftonLarsonAllen LLP

Orlando, Florida
November 20, 2023

**FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | | |
|--|---|--|--|
| 1. Type of auditors’ report issued: | Unmodified | | |
| 2. Internal control over financial reporting: | | | |
| • Material weakness(es) identified? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no | |
| • Significant deficiency(ies) identified? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> none reported | |
| 3. Noncompliance material to financial statements noted? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | |

Section II – Financial Statement Findings

2023 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Criteria or specific requirement: Generally accepted accounting principles (GAAP) require financial statements and related controls to be adequate to present materially correct financial statements.

Condition: During the year under audit there were several audit adjustments as a result of the procedures performed on the financial statements. Two of these adjustments were material to the financial statements as a whole. As it relates to these adjustments, the foundation did not have adequate internal controls over financial reporting to properly catch these errors.

Effect: One entry related to the discount calculation on pledge receivables which was incorrectly calculated by management, specifically on new long-term pledges that were received during the year under audit. The adjustment proposed to increase the discount for 2023 pledges was approximately \$536,000. This adjustment resulted in reducing the pledges receivables and related revenue. Management had elected to report their pledges at net realizable valuable in the prior years. This election requires management to update their calculation in the current year for new pledges that had materially different terms than years past. There was also no formal review process over the pledge receivable subledger which could have potentially caught this error.

The second entry relates to the recording of financial support by the university related to payroll and benefit costs in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. The foundation’s employees are employed by the University and paid by the University; however, their employment (or a portion of their employment) is for the operation of the Foundation. As such, an adjustment of \$276,000 was recorded to recognize the revenue related to the university support and the related expenses; There was no effect to net position related to this adjustment.

**FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 001 (Continued)

Effect (Continued):

The final adjustment was reconciling university intercompany at year-end which resulted in \$39,000 additional expenses on the foundation and a related liability. While this was not material, it represents additional oversight needed within the financial reporting and closing process.

Cause: Management incorrectly calculated the discount rate using a guide from the prior year's auditors that was not correct for the current year. Additionally, the former controller retired this year leaving a gap in experience related to financial reporting that the foundation is in the process of addressing. This lack of experience led to the control breakdowns related to financial reporting at year-end.

Repeat Finding: No

Recommendation: CliftonLarsonAllen LLP (CLA) recommends that management enhance their controls environment to ensure they have an adequately trained individual with skills, knowledge, and experience to adequately prepare GAAP financial statements at year-end. CLA recommends that higher risk or significant accounts, such as the calculation of the yearly pledge discount rate, university salary allocation, and due to/from the university, be prepared and reviewed by that member of the foundation that has adequate skills, knowledge, and experience.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. See separately issued corrective action plan by management.

**FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 002

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Criteria or specific requirement: Generally accepted accounting principles (GAAP) require adequate internal controls as well as policies and procedures be in place to appropriately record revenue in the proper period when a valid exchange or nonexchange revenue transaction exists.

Condition: During the year under audit the foundation did not have a formal policy regarding year-end cutoff with verified gifts/pledges and the related documentation, which led to a significant gift that occurred in June 2023 to not have the final support signed and acknowledged by the donor until 4 months after year-end.

Effect: The foundation was not able to appropriately close out its financial records for the year under the audit until very late in the year as management was waiting on a donor to acknowledge the terms verbally discussed during the year under audit. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, allows for gifts and pledges from private donors (voluntary nonexchange transactions) to be oral as well as written provided that they have met all eligibility requirements, are verifiable, the resources are measurable, and for future gifts they are probable of collection.

Cause: Management had not ensured they met the critical components within GASB 33 in order to appropriately record revenue at year-end, thus additional steps had to be taken during the audit to obtain adequate and verifiable evidence to appropriately record the revenue for the year ended June 30, 2023. This had led to delays in completing the audit as management worked with the third party to finalize documentation.

Repeat Finding: No

Recommendation: CliftonLarsonAllen LLP (CLA) recommends that management review its policy regarding cutoff at year-end for verified gifts and pledges so that financial records can be adequately and timely reported. Management should ensure a standardized process exists for gift/pledge/naming agreements that meet GASB standards that are uniformly utilized, which will assist in the standardization of the process. Additionally, CLA recommends that management review and enhance its controls to ensure what constitutes a voluntary nonexchange transactions in accordance with GASB Statement 33 is properly identified. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, allows for gifts and pledges from private donors (voluntary nonexchange transactions) to be oral as well as written provided that they have met all eligibility requirements, are verifiable, the resources are measurable, and for future gifts they are probable of collection.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. See separately issued corrective action plan by management.



FLORIDA POLYTECHNIC UNIVERSITY
FOUNDATION

Florida Polytechnic University Foundation, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2023.

Audit period: July 1, 2022 – June 30, 2023

The finding from the schedule of findings and responses is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

2023-001 Type of Finding: Material Weakness in Internal Control over Financial Reporting

Recommendation: CliftonLarsonAllen LLP (CLA) recommends that management enhance their controls environment to ensure they have an adequately trained individual with skills, knowledge, and experience to adequately prepare GAAP financial statements at year-end. CLA recommends that higher risk or significant accounts, such as the calculation of the yearly pledge discount rate, university salary allocation, and due to/from the university, be prepared and reviewed by that member of the foundation that has adequate skills, knowledge, and experience.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The discount rate calculation was completed by the Foundation in FY22 based on the previous auditor's recommendation. The staff accountant verified with the former Director of Advancement Operations and completed the discount rate as had been previously calculated based on a five-year pledge. A large gift commitment was made over a twelve-year payment plan and the discount rate should have been adjusted to account for the extended payments' discount rate to cover the last seven years of the new gift. When brought to our attention by the current audit review, the calculation of the discount rate was adjusted accordingly. With this adjustment, the Foundation will seek additional training and professional development providing the skills required to manage longer gift schedules in the future.

The adjustment made to recognize the revenue for the University support and related expenses was noted for this year for the first time since the Foundation was audited. As noted by the auditor, there was no effect to net position related to this adjustment. Action taken was to include this in Foundation financials for FY23 and for years to come. Additional training, professional development, and experience from this audit will provide the background to include this adjustment in future years.

Name of the contact person(s) responsible for corrective action: Kathleen (Kathy) Bowman, VP (Vice President) Advancement & CEO (Chief Executive Officer), Florida Polytechnic University Foundation

Planned completion date for corrective action plan: June 30, 2024

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
CORRECTIVE ACTION PLAN
JUNE 30, 2023
PAGE 2

2023-002 Significant deficiency in internal control over financial reporting

Recommendation: CliftonLarsonAllen LLP (CLA) recommends that management review its policy regarding cutoff at year-end for verified gifts and pledges so that financial records can be adequately and timely reported. Management should ensure a standardized process exists for gift/pledge/naming agreements that meet GASB standards that are uniformly utilized, which will assist in the standardization of the process. Additionally, CLA recommends that management review and enhance its controls to ensure what constitutes a voluntary nonexchange transactions in accordance with GASB Statement 33 is properly identified. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, allows for gifts and pledges from private donors (voluntary nonexchange transactions) to be oral as well as written provided that they have met all eligibility requirements, are verifiable, the resources are measurable, and for future gifts they are probable of collection.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The Foundation closed out our financial records for the year including a large gift made during the last quarter of the fiscal year. At the close of the fiscal year, the Foundation documented a text message from the donors in our database, a check from the benefactors for their first payment in the amount of \$500,000, and multiple phone calls, emails, and other documents outlining the amount and the allocations the donor requested. The Foundation believed we met the GASB 33 standards of reporting this gift as verifiable, measurable, and probable of collection. Based on the auditor's request on 9/24, we moved forward to obtain a separate gift agreement signed by the donor and the community foundation for the amount and specified allocations on 10/23/2023. As the Foundation continues to mature and the probability of future large gifts, we created a procedure establishing a "Naming Agreement" for any naming gift larger than \$50,000 for additional quality control.

Name(s) of the contact person(s) responsible for corrective action: Kathleen (Kathy) Bowman, VP (Vice President) Advancement & CEO (Chief Executive Officer), Florida Polytechnic University Foundation

Planned completion date for corrective action plan: June 30, 2024