

# 2023

Lake-Sumter State College Foundation, Inc.

Financial Statements and  
Independent Auditor's Report

December 31, 2023

**PURVIS GRAY**  
CERTIFIED PUBLIC ACCOUNTANTS



Lake Sumter  
State College

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## FOUNDATION, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lake-Sumter State College Foundation, Inc.  
Leesburg, Florida

### Opinion

We have audited the accompanying financial statements of the Lake-Sumter State College Foundation, Inc. (the Foundation), a component unit of Lake-Sumter State College, as of and for the year ended December 31, 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 financial position of the Foundation as of December 31, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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Lake-Sumter State College Foundation, Inc.  
Leesburg, Florida

## INDEPENDENT AUDITOR'S REPORT

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

### **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

Board of Directors  
Lake-Sumter State College Foundation, Inc.  
Leesburg, Florida

## INDEPENDENT AUDITOR'S REPORT

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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position by Restricted Classification is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position by Restricted Classification are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2024, 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 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.



September 5, 2024  
Ocala, Florida

## *Management's Discussion and Analysis*

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This document presents management's discussion and analysis of the financial performance of the Foundation during the fiscal year ended December 31, 2023. This discussion should be read in conjunction with the financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of the Foundation's management.

### **Reporting Entity**

The Lake-Sumter State College Foundation (the Foundation) is a not-for-profit corporation and is considered to be a component unit of the State of Florida and Lake-Sumter State College (the College), as defined by the Governmental Accounting Standards Board Statement (GASB) No. 39. This statement defines component units as organizations where the "substance and significance of the relationship between the organization and the primary government (or its component units) would be such that the exclusion of that organization from the reporting entity's financial statements would render those statements misleading or incomplete." Accordingly, the Foundation is included in the College's financial statements as a discrete component unit.

The Lake-Sumter State College Foundation was incorporated in 1980, under the laws of the State of Florida, as a not-for-profit organization. The Foundation's purpose is to assist and support the College's educational and cultural mission through encouraging philanthropic gifts of money, property, and other materials having educational, artistic, or historical value. These gifts are to be administered with the primary objective of serving purposes other than those for which the State of Florida ordinarily makes appropriations to the College.

### **Overview of the Financial Statements**

The financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Notes to the Financial Statements. The Statement of Cash Flows provides information regarding net cash from (used in) various activities. This report also includes supplementary information that provides more detail on some of the information in the financial statements.

Overall, total assets exceeded liabilities at December 31, 2023 by \$28,260,910 (net position). Of this amount, \$3,162,185 (unrestricted net position) may be used to meet the ongoing obligations.

While fundraising revenues increased by \$1,615,049 or 80% due to efforts on the part of the Foundation Board, the total net position increased \$4,481,506 or 19%, due to an increase on investments related to favorable market conditions. Total net position represents the residual interest in assets after deducting liabilities. The net position includes both expendable and non-expendable assets.

## The Statement of Net Position

The Statement of Net Position summarizes assets less liabilities at year-end. Assets consist primarily of pooled cash and investments of approximately \$31 million. Liabilities include amounts owed to the College and vendors as well as unearned revenue related to a grant. The increase in liabilities of \$477 thousand is attributable to an increase in Unearned Revenue of \$396 thousand due to the timing of a payment received for a grant. For the year ended December 31, 2023, net position totaled \$28.3 million. The major components of this category are funds available for student scholarships, capital projects, and college support of approximately \$17.9 million. The Foundation also has unrestricted net position of \$3.2 million and permanently restricted nonexpendable net position of \$7.1 million.

### Condensed Statement of Net Position at December 31

	(In Thousands)	
	2023	Restated 2022
<b>Assets</b>		
Current Assets	\$ 22,618	\$ 17,741
Capital Assets, Net	14	14
Other Non-Current Assets	8,220	8,201
<b>Total Assets</b>	<u>\$ 30,852</u>	<u>\$ 25,956</u>
<b>Liabilities</b>		
Current Liabilities	1,502	1,025
<b>Total Liabilities</b>	<u>1,502</u>	<u>1,025</u>
<b>Deferred Inflow of Resources</b>	<u>1,089</u>	<u>1,151</u>
<b>Total Liability and Deferred Resources</b>	<u>2,591</u>	<u>2,176</u>
<b>Net Position</b>		
Restricted		
Capital Assets, Net	\$ 14	\$ 14
Non-Expendable Endowment	7,131	7,049
Expendable Endowment	6,529	4,856
Expendable Scholarship	5,915	5,269
Expendable Programs	2,937	2,422
Expendable for Capital Projects	2,572	2,210
Unrestricted	3,162	1,959
<b>Total Net Position</b>	<u>\$ 28,260</u>	<u>\$ 23,779</u>

## Prior Period Adjustments

The Foundation has determined that certain transactions were recorded incorrectly in a prior year. In the Foundation's financial statements, grant revenue for the 2022 fiscal year was overstated due to the recognition of revenue when eligibility requirements were not yet met, and unearned revenue should have been recorded. The restatement had a corresponding effect on the change in the net position:

Beginning Net Position	\$ 24,518,046
Adjustment to Correct Grant Revenue/ Unearned Revenue	<u>(738,642)</u>
Beginning Net Position, as Restated	<u>\$ 23,779,404</u>

## The Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position summarizes revenue and expense activity, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activity for the 2023 and 2022 fiscal years:

### Condensed Statement of Revenues, Expenses, and Changes in Net Position

(In Thousands)

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 3,452	\$ 1,837
Less, Operating Expenses	<u>(2,867)</u>	<u>(2,261)</u>
<b>Operating Gain (Loss)</b>	585	(424)
Additions to Endowments	<u>82</u>	<u>68</u>
Non-Operating Revenue (Expense)	<u>3,814</u>	<u>(3,278)</u>
<b>Change in Net Position</b>	<u>4,481</u>	<u>(3,634)</u>
<b>Net Position, Beginning of Year, as Restated</b>	23,779	27,413
<b>Net Position, End of Year</b>	<u>\$ 28,260</u>	<u>\$ 23,779</u>

## Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions where each of the parties to the transactions either gives or receives something of equal or similar value.

Operating revenues of \$3.5 million for the year ending December 31, 2023, are comprised of \$2.6 million in Contributions and Grants, \$410 thousand in Special Events Revenue and \$481 thousand in Donated Goods and Services.

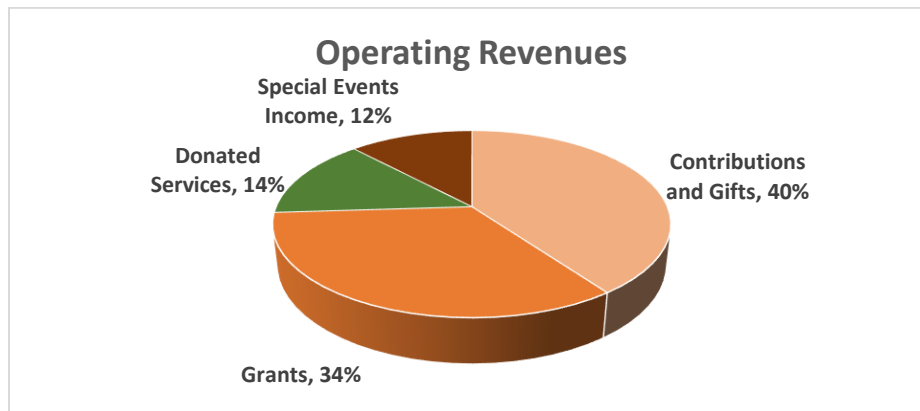
The following summarizes and provides a comparison of the operating revenues by source that were used to fund operating activities for the 2023 and 2022 fiscal years.

### Operating Revenues

(In Thousands)

	<u>2023</u>	<u>2022</u>
Contributions	\$ 1,396	\$ 422
Grants	1,165	653
Donated Goods and Services	481	364
Special Events Income	<u>410</u>	<u>398</u>
<b>Total Operating Revenues</b>	<b><u><u>\$ 3,452</u></u></b>	<b><u><u>\$ 1,837</u></u></b>

The following chart provides a graphical presentation of the operating revenues by category for the 2023 fiscal year:



## Non-Operating Revenues

Non-Operating Revenue consists of Realized and Unrealized Gains/Losses on Investments, and Interest and Dividends. Of the total non-operating revenue of \$3.8 million, \$3.4 million is realized and unrealized gain on investments recognized due to favorable market conditions.

### Non-Operating Revenues

(In thousands)

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 646	\$ 531
Realized Gains on Investments	544	855
Unrealized Gains/Loss on Investment	2,820	(4,485)
Investment Fees	<u>(196)</u>	<u>(179)</u>
<b>Total Non-Operating Revenues</b>	<b><u>\$ 3,814</u></b>	<b><u>\$ (3,278)</u></b>

## Operating Expenses

Expenses are categorized as operating or non-operating. The majority of the Foundation expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The Foundation has chosen to report the expenses in their natural classification on the Statement of Revenues, Expenses, and Changes in Net Position.

The Foundation recorded Operating Expenses of \$2.9 million for the 2023 fiscal year. The \$598 thousand increase from the prior year is mostly attributable to an increase in Scholarships and Support of College Programs expenses.

Operating expenses consist primarily of scholarships of \$1,194,378 and support of College programs of \$849,374. Expenses also include \$454,985 in personnel services, which includes salaries, wages and related taxes, and fringe benefits paid to Foundation personnel by the College during the year ending December 31, 2023. Fundraising expenses total \$204,831 and the remaining expenses for management and general, contractual services and materials and supplies total \$163,768.

The following summarizes operating expenses by natural classification for the 2023 and 2022 fiscal years:

## Operating Expenses

(In Thousands)

	2023	2022
Personnel	\$ 455	\$ 338
Support of College Programs	849	453
Scholarships	1,194	1,074
Management and General	116	104
Contractual Services	33	67
Fundraising	205	181
Materials and Supplies	15	42
<b>Total Operating Expenses</b>	<b><u>\$ 2,867</u></b>	<b><u>\$ 2,259</u></b>

### Additions to Endowments

Additions to endowments of \$82,415 represents non-expendable gifts received. The contribution to the endowment was higher than the prior year due to donor designation preferences.

### Increase in Net Position

The Net Position at December 31, 2023 increased by \$4,481,507 to \$28,260,910 due to increased operating revenue and favorable market conditions.

### Statement of Cash Flows

The statement of cash flows provides information about financial results by reporting the major sources and uses of cash and cash equivalents. This statement assists in evaluating the ability to meet financial obligations as they come due. Cash flows from operating activities show the net cash used by the operating activities. Cash flows from capital and related financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments.

The following summarizes the cash flows for the 2023 and 2022 fiscal years:

**Condensed Statement of Cash Flows**  
(In Thousands)

	2023	2022
Cash Provided (Used) by:		
Operating Activities	\$ 1,051	\$ 498
Capital and Related Financing Activities	82	68
Investment Activities	333	(984)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 1,466</b>	<b>\$ (418)</b>
Cash and Cash Equivalents, Beginning of Year	1,582	2,000
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,048</b>	<b>\$ 1,582</b>

**The Foundation’s Objectives**

The Foundation was established to support the educational programs for the students, faculty and staff at Lake-Sumter State College. The Foundation provides funding for educational scholarships, programs and activities which are not funded by the State-supported operating budget of the College.

The Foundation operates with the purpose of supporting the College’s mission of providing high-quality, accessible programs from enrichment and career training to associate and baccalaureate degrees. As student’s needs and expectations grow, State funding to Florida state colleges becomes increasingly strained. While taxpayers support much of the effort to provide quality education, various educational funding needs remain unmet. Faculty and staff have innovative ideas and projects that advance the College’s mission but cannot always be funded through existing College resources. Student scholarships, special programs and events, and academic program growth are also areas where financial support from the Foundation is critical to the College’s success.

In addition, the Foundation develops and cultivates community involvement as donors and supporters from individuals, businesses, and civic organizations.

**The Foundations funding Initiatives include:**

- Student Scholarships
- Innovative Project Grants
- Academic Excellence initiatives
- Student success initiatives
- Academic program expansions

**Requests for Information**

This financial report is designed to provide a general overview of the Lake-Sumter State College Foundation's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lake-Sumter State College Foundation, Inc. 9501 US 441, Leesburg, Florida 34788, (352) 365-3518.

**Lake Sumter State College Foundation, Inc.**  
**(A Component Unit of Lake-Sumter State College)**  
**Statement of Net Position**  
**December 31, 2023**

	2023
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,048,577
Investments	19,537,534
Accounts Receivable, Net	31,522
Total Current Assets	22,617,633
Non-Current Assets:	
Capital Assets, Net	13,900
Restricted Investments	7,131,487
Irrevocable Split-Interest Trust	1,089,366
Total Non-Current Assets	8,234,753
<b>TOTAL ASSETS</b>	<b>30,852,386</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>	
Current Liabilities:	
Accounts Payable	366,901
Unearned Revenue	1,135,209
Total Current Liabilities	1,502,110
<b>Deferred Inflows of Resources</b>	
Irrevocable Split-Interest Trust	1,089,366
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>2,591,476</b>
<b>NET POSITION</b>	
Capital Assets, Net	13,900
Restricted:	
Non-Expendable Endowment	7,131,487
Expendable Endowment	6,528,670
Expendable Scholarships	5,915,262
Expendable Programs	2,937,431
Expendable for Capital Projects	2,571,975
Unrestricted	3,162,185
<b>Total Net Position</b>	<b>\$ 28,260,910</b>

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

**Lake Sumter State College Foundation**  
**(A Component Unit of Lake-Sumter State College)**  
**Statement of Revenues and Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2023**

	2023
<b>Operating Revenues:</b>	
Contributions	\$ 1,395,961
Grants and Matching Funds	1,165,154
Donated Goods and Services	481,132
Special Events Income	409,811
<b>Total Operating Revenues</b>	<b>\$ 3,452,058</b>
<b>Operating Expenses:</b>	
Personnel	\$ 454,985
Support of College Programs	849,374
Scholarships	1,194,378
Management and General	115,819
Contractual Services	32,683
Fundraising	204,829
Materials and Supplies	15,267
<b>Total Operating Expenses</b>	<b>\$ 2,867,335</b>
<b>Income (Loss) from Operations</b>	<b>\$ 584,723</b>
<b>Non-Operating Revenue</b>	
Net Gain (Loss) on Investments	3,364,122
Interest and Dividends	450,246
<b>Total Non-Operating Revenue</b>	<b>\$ 3,814,368</b>
<b>Additions to Endowments</b>	<b>\$ 82,415</b>
<b>Change in Net Position</b>	<b>\$ 4,481,506</b>
<b>Net Position, Beginning of Year</b>	\$ 24,518,046
Adjustment to Correct Grant Revenue/Unearned Revenue	(738,642)
Beginning Net Position, as Restated	23,779,404
<b>Net Position, End of Year</b>	<b>\$ 28,260,910</b>

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

**Lake Sumter State College Foundation**  
**(A Component Unit of Lake-Sumter State College)**

**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Contributions	\$ 1,737,852
Grants and Contracts	1,165,154
Payments to Suppliers	(699,224)
Payments for Program Support	(849,374)
Payments for Scholarships	(1,194,378)
Ticket Sales and Fundraising	409,811
Other Receipts	481,132
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,050,973</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Contributions to Endowments	\$ 82,415
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>82,415</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash Received for Investments and Dividends	450,246
Cash Received from Sale of Investments	13,052,653
Cash Paid for Purchase of Investments	(13,169,794)
<b>Net Cash Provided by (Used in) Investment Activities</b>	<b>333,105</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,466,493
Cash and Cash Equivalents, Beginning of Year	1,582,084
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,048,577</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>	
<b>TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ 584,724
Adjustments to Reconcile Operating Income (Loss)	
to Net Cash Provided by (Used in) Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	(10,932)
Accounts Payable	124,359
Unearned Revenue	352,822
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 1,050,973</b>

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

**Lake-Sumter State College Foundation Inc.**  
**(A COMPONENT UNIT OF LAKE-SUMTER STATE COLLEGE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**1. Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies of Lake-Sumter State College Foundation, Inc. (the Foundation), which affect significant elements of the financial statements:

- A. *Reporting Entity* – The Foundation, incorporated in 1980, is a direct support organization as provided for in Section 240.331, Florida Statutes, and is considered a discrete component unit of Lake-Sumter State College (the College). The Foundation’s principal function is to receive, hold, invest and administer charitable contributions for the College. The Foundation is a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code (the IRC) and is exempt from federal and state income taxes pursuant to Section 209(a) of the IRC.
- B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* – The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred, as permitted by the Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standard (SGAS) Number 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*.
- C. *Cash and Cash Equivalents* – For purposes of reporting cash flows, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.
- D. *Fund Accounting* – To ensure observation 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. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund.
- E. *Net Position* – The Foundation classifies its net position into the following categories:

*Net Investment in Capital Assets* – Represents the Foundation’s total investment in capital assets, net of accumulated depreciation. For the year ended December 31, 2023, the Foundation has no Net Investments in Capital Assets.

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

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

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

**Expendable Restricted Net Position** – Included resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Expendable Restricted Net Position is broken into four subcategories on the Statement of Net Position as follows:

- *Expendable Endowment* – Endowments with restriction imposed by the donor, primarily consisting of investment earnings from non-expendable restricted endowments.
- *Expendable Scholarships* – Expendable restricted net position restricted for the use of various scholarships.
- *Expendable Programs* – Donor restricted funds for the use of various college programs not related to scholarships for tuition.
- *Expendable for Capital Projects* – Restricted funds to be used for capital projects of the college in accordance with the restrictions imposed by the donor.

As Schedule of Revenues, Expenses, and Changes in Net Position by Restriction is presented in the following Supplementary Information.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, and then unrestricted resources as they are needed.

- F. *Operating Activities* – Operating revenues and expenses represent ongoing activities of the Foundation, which are in support of the College's programs. Operating activities related to the Foundation's principal functions are to receive and hold charitable contributions for the College. All other revenues and expenses are reported as non-operating activities.
- G. *Revenue Recognition* – Contributions are recognized as increases in net position when received or when pledged unconditionally.

- H. *Direct Operating Support* – Upon approval by Board of Trustees, the College provides personnel support and donated facilities for office space in the amounts of \$454,985 and \$26,147, respectively.
- I. *Pledges Receivable* –Pledges are recorded as a receivable and revenue in the year made for the current period use.
- J. *Contributions* – Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in expendable or non-expendable restricted assets depending on the nature of the restrictions. When a restriction expires, expendable restricted net position is reclassified to unrestricted net position.
- K. *Use of Estimates* – The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) 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.
- L. *Investments* – Contributed marketable securities are recorded at fair value at the date of donation. Purchased marketable securities are recorded and carried at fair value with increases and decreases being charged and credited to the statement of revenues, expenses, and changes in net position.
- M. *Property and Equipment* – Purchased property and equipment with a value of \$5,000 or more are capitalized and are stated at historical cost. Donations of property and equipment are recorded as support at their estimated fair value. Depreciation on buildings and equipment is calculated on the straight-line method over the estimated useful lives of the assets.
- N. *Subsequent Events* – The Foundation has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2023, statements.
- O. *Prepaid Items* – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.
- P. *Split-Interest Agreements* – Assets received under split-interest agreements are recorded as assets for the resources received or receivable and a Deferred Inflow of Resources for the Foundations irrevocable remainder interest.

Changes in assets recognized pursuant to irrevocable split-interest agreements, such as those resulting from interest, dividends, and changes in fair value, are recognized as an increase or decrease in the related deferred inflow of resources.

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

- Q. *Prior Period Adjustment* – The Foundation has determined that certain transactions were recorded incorrectly in a prior year. In the Foundation’s financial statements, grant revenue for the 2022 fiscal year was overstated due to the recognition of revenue when eligibility requirements were not yet met, and unearned revenue should have been recorded. The statement had a corresponding effect on the change in the net position:

Beginning Net Position	\$ 24,518,046
Adjustment to Correct Grant Revenue/ Unearned Revenue	<u>(738,642)</u>
Beginning Net Position, as Restated	<u>\$ 23,779,404</u>

## 2. Cash and Investments

- a) *Cash and cash equivalents* – The cash and cash equivalents reported on the statement of net position is \$3,048,577. The Florida Security for Depositors Act identifies those financial institutions that have deposited the required collateral in the name of the treasurer of the State of Florida as qualified public depositories. The Foundation’s deposits are with qualified public depositories. Therefore, all Foundation cash and cash equivalents deposits are entirely insured by FDIC or Florida’s Multiple Financial Institution Collateral Pool.
- b) *Investments* – The Foundation also maintains accounts with one stock brokerage firm and two bank trust departments. The accounts contain cash and securities; balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation.

As of December 31, 2023, the Foundation had the following Cash and Investments:

Investment Type	Fair Value	Investment Maturity		
		Maturities in Years		
		1-5	6-10	More than 10
Government Obligations	\$ 1,743,976	\$ 1,743,976	\$ -	\$ -
Mortgage-Backed Securities	4,497	-	4,043	454
Corporate Bonds	7,028,150	4,558,663	2,469,487	-
<b>Total Debt Obligations</b>	<b>\$ 8,776,623</b>	<b>\$ 6,302,639</b>	<b>\$ 2,473,530</b>	<b>\$ 454</b>
Mutual Funds - Fixed Income	417,120			
Equities	17,475,278			
<b>Total Investments</b>	<b>\$ 26,669,021</b>			
Total Cash and Cash Equivalents	\$ 3,048,577			
<b>Total Cash and Investments</b>	<b>\$ 29,717,598</b>			

Investment totals as reported in statement of net position:

Cash and Cash Equivalents	\$ 3,048,577
Unrestricted Investments	\$ 19,537,534
Restricted Investments	\$ 7,131,487
<b>Total Cash and Investments</b>	<b>\$ 29,717,598</b>

The Foundation categorizes the fair measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Fair Value Measurement of the Foundations investments are as follows at December 31, 2023.

Investments	Investment Valuation by Level			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Debt Securities:</b>				
Government Obligations	\$ 1,743,976	\$ 1,743,976	\$ -	\$ -
Corporate Bonds	7,028,150	-	7,028,150	-
Mortgage-Backed Securities	4,497		4,497	-
<b>Total Debt Security</b>	<b>\$ 8,776,623</b>	<b>\$ 1,743,976</b>	<b>\$ 7,032,647</b>	<b>\$ -</b>
<b>Equity Securities:</b>				
Equities	\$ 17,475,278	\$ 17,475,278	\$ -	\$ -
Mutual Funds - Fixed Income	417,120	417,120	-	-
<b>Total Equity Securities</b>	<b>\$ 17,892,398</b>	<b>\$ 17,892,398</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Investment</b>	<b>\$ 26,669,021</b>	<b>\$ 19,636,374</b>	<b>\$ 7,032,647</b>	<b>\$ -</b>

The Foundation mitigates risk by utilizing investment managers to build a portfolio at prudent risk ranges.

The following risks apply to the Foundation's investment in debt securities:

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit investment maturities except with respect to cash equivalents, which must have a maximum average maturity of less than one year. The Foundation manages its exposure to fair value losses from increasing interest rates through the segmented time distribution method.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy limits its fixed income investments to an overall weighted average credit rating of "A" or better by Moody's or better by Standard & Poor's. No more than 15 percent of the fixed income portion of the portfolio shall be rated below investment grade (below Baa/BBB). All commercial paper investments must have a minimum rating of A1/P1 by Standard & Poor's and Moody's, respectively. Obligations of the U.S. Government and obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. At December 31, 2023, the Foundation's investments in bonds and notes had credit quality ratings by nationally-recognized rating agencies ranging from Baa1 to Aaa by Moody's and from BBB- to AAA by Standard & Poor's.

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of failure of a counterpart to a transaction, the Foundation will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Lending of the Foundation's portfolio of securities is expressly prohibited by the Foundation's investment policy. While the brokerage and trust accounts are in the name of the Foundation, the securities are actually held in the trust department or agent's name.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation’s investment in a single issuer. The Foundation’s investment policy limits investments in any one company to no more than seven percent of the equity portion of its portfolio and no more than ten percent of the fixed income portion of its portfolio, and the equity portion of the portfolio must maintain a minimum of twenty positions, with no position of any one issuer exceeding eight percent of the manager’s total portfolio. Securities issued by the U.S. Government or its agencies are not subject to these limitations. The policy also provides that no more than five percent of the portfolio may be invested in commercial paper of any one issuer, and no more than \$3,000,000 in bank certificates of deposit of any single issuer, unless the investments are fully collateralized by U.S. Treasury or agency securities. The policy further limits investments in any one economic sector to no more than ten percent of the equity portion of the portfolio may be in American Depository Receipts, and no more than sixty percent of the fixed income portion of the portfolio may be invested in either corporate or mortgage-backed securities.

### 3. Capital Assets

Capital Assets activity for the year ended December 31, 2023 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Time-share property	\$ 13,900	-	-	\$ 13,900
Total capital assets not being depreciated	<u>\$ 13,900</u>	<u>-</u>	<u>-</u>	<u>\$ 13,900</u>
<b>Total capital assets</b>	<u>\$ 13,900</u>	<u>-</u>	<u>-</u>	<u>\$ 13,900</u>

#### **4. Significant Concentrations**

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Foundation, except as otherwise disclosed, is as follows:

- c) *Cash and cash equivalents* – The Florida Security for Depositors Act identifies those financial institutions that have deposited the required collateral in the name of the treasurer of the State of Florida as qualified public depositories. The Foundation’s deposits are with qualified public depositories. Therefore, all Foundation cash and cash equivalents deposits are entirely insured by FDIC or Florida’s Multiple Financial Institution Collateral Pool.
  
- d) *Investments* – The Foundation also maintains accounts with one stock brokerage firm and two bank trust departments. The accounts contain cash and securities; balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation.
  
- e) *Revenues* – The Foundation received significant operating revenue from contributions.

#### **5. Income Taxes**

The Internal Revenue Service has recognized the Foundation as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in furtherance of the Foundation’s tax-exempt purpose is exempt from federal and state income taxes and, therefore, these financial statements include no provision or liability for income taxes. As of December 31, 2023, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. Generally, the IRS may review the returns for the past three years.

## 6. Related Party Balances and Transactions

The Foundation staff members are considered employees of the College. All salaries, benefits, retirement benefits through the Florida Retirement System and payroll taxes are paid through the College. The Foundation is not expected to reimburse the College for such expenses. For the year ending December 31, 2023, the values of those contributed services that can be reasonably estimated are reflected in these financial statements as follows:

Salaries	\$ 335,746
Benefits	119,239
Facilities	<u>26,147</u>
Total Donated Goods and Services	<u>\$ 481,132</u>

## **Supplementary Information**

**Lake Sumter State College Foundation**  
**(A Component unit of Lake-Sumter State College)**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**By Restriction Classification**  
**For the Year Ended December 31, 2023**

	Unrestricted	Restricted		Total
		Expendable	Non-Expendable Endowments	
<b>Revenues</b>				
Operating Revenues				
Contributions, Grants and Events	1,084,830	1,886,096	-	2,970,926
Donated Goods and Services	481,132	-	-	481,132
<b>Total Operating Revenues</b>	<b>1,565,962</b>	<b>1,886,096</b>	<b>-</b>	<b>3,452,058</b>
<b>Expenses</b>				
Operating Expenses				
Personnel Services	454,985	-	-	454,985
Support of College Programs	1,330	848,044	-	849,374
Management and General	67,011	48,808	-	115,819
Scholarships and Program Support	350	1,194,028	-	1,194,378
Contractual Services	14,793	17,890	-	32,683
Fundraising	41,478	163,351	-	204,829
Other Services and Expenses	11,519	3,748	-	15,267
<b>Total Operating Expenses</b>	<b>591,466</b>	<b>2,275,869</b>	<b>-</b>	<b>2,867,335</b>
Non-Operating Revenues				
Interest and Dividends	35,279	414,967	-	450,246
Net Gain (Loss) on Investments	193,490	3,170,632	-	3,364,122
<b>Total Non-Operating Revenues</b>	<b>228,769</b>	<b>3,585,599</b>	<b>-</b>	<b>3,814,368</b>
<b>Changes in Net Position</b>				
Before Endowment Contributions	1,203,265	3,195,826	-	4,399,091
Additions to Endowments	-	-	82,415	82,415
<b>Increase (Decrease) in Net Position</b>	<b>1,203,265</b>	<b>3,195,826</b>	<b>82,415</b>	<b>4,481,506</b>
<b>Net Position, Beginning of January 1, 2023, As Restated</b>	<b>1,958,920</b>	<b>14,771,412</b>	<b>7,049,072</b>	<b>23,779,404</b>
<b>Net Position, End of December 31, 2023</b>	<b>\$ 3,162,185</b>	<b>\$ 17,967,238</b>	<b>\$ 7,131,487</b>	<b>\$ 28,260,910</b>

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

Board of Directors  
Lake-Sumter State College Foundation, Inc.  
Leesburg, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Lake-Sumter State College Foundation, Inc. (the Foundation), a component unit of the Lake-Sumter State College, as of and for the year ended December 31, 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 September 5, 2024.

**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.

*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.

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Board of Directors  
Lake-Sumter State College Foundation, Inc.  
Leesburg, Florida

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



September 5, 2024  
Ocala, Florida

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