

**COLLEGE OF CENTRAL FLORIDA
FOUNDATION, INC.
OCALA, FLORIDA
A COMPONENT UNIT OF THE
COLLEGE OF CENTRAL FLORIDA
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

**COLLEGE OF CENTRAL FLORIDA
 FOUNDATION, INC.
 OCALA, FLORIDA
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 COLLEGE OF CENTRAL FLORIDA
 FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
College of Central Florida Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the College of Central Florida Foundation, Inc. (the Foundation), a component unit of the College of Central Florida, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2017, 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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended December 31, 2017, the District adopted new accounting guidance Governmental Accounting Standards Board Statement No. 81, *Irrevocable Split-Interest Agreements*. Our opinion is not modified with respect to this matter.

Other Matters

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, 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 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 statement of net position by account and statement of revenues, expenses, and changes in net position by account are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of net position by account and statement of revenues, expenses, and changes in net position by account are 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. Such 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 statement of net position by account and statement of revenues, expenses, and changes in net position by account 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 June 20, 2018 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.


June 20, 2018
Ocala, Florida

**COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

This section of the College of Central Florida Foundation's annual financial report presents our discussion and analysis of financial performance for the fiscal periods ending on December 31, 2017 and 2016. Please read it in conjunction with the preceding Accountant's Audit Report and financial statements following this section.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS

NET POSITION

	December 2017	December 2016
Current Assets	\$ 4,264,554	\$ 3,113,584
Capital Assets, Net	24,030,889	24,054,188
Non-Current Assets	76,608,509	71,092,503
Total Assets	104,903,952	98,260,275
Current Liabilities	785,880	453,224
Noncurrent Liabilities	1,611,553	1,871,944
Total Liabilities	2,397,433	2,325,168
Deferred Inflows of Resources		
Split Interest Agreements	271,226	258,850
Gift Annuity	191,766	176,118
Total Deferred Inflows of Resources	462,992	434,968
Net Position:		
Net Investment in Capital Assets	23,055,889	22,934,188
Restricted	64,391,228	61,982,529
Unrestricted	14,596,410	11,018,390
Net Position at End of Year	\$ 102,043,527	\$ 95,935,107

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Continued)

In comparing 2017 activity to 2016 activity, we note the following:

Total assets increased by 6.8%, or \$6.6 million. Current assets increased by \$1.2 million, and Capital assets decreased by \$23,299, which is attributable to the depreciation of assets. Non-current assets, including the Foundation’s investment accounts, increased by \$5.5 million as a result of strong investment earnings on endowments due to favorable market conditions.

There was a net increase in total liabilities of \$72,265 with an increase in current liabilities of \$332,656 due to the timing of receipt of the Fall 2017 Scholarships invoice. Noncurrent liabilities decreased by 13.9% or \$260,391, attributable primarily to a \$154,998 reduction in bonds payable for the Enterprise Center, and a \$100,000 reduction in noncurrent liability due to the College for College Square Apartments support. An 11 year agreement was made to repay the College beginning December 2014. The bond on College Square Apartments was paid in full January 2014.

In recognizing the effects of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements* on our financial statements, deferred inflows of \$462,992 were recorded. Total net position increased by a total of 6.4%, or \$6,108,420.

CHANGES IN NET POSITION

	December 2017	December 2016
Revenue:		
Operating - Contributions	\$ 1,149,050	\$ 3,590,828
Operating - Change in Pledges Receivable	1,477	13,317
Operating - Investment Income	10,127,612	6,174,225
Operating - Other	1,300,854	1,277,571
Operating - Support from College of Central Florida	505,113	429,967
Endowment Additions	407,392	906,201
Total Revenue	13,491,498	12,392,109
Expenses:		
Operating - Program	6,015,796	3,645,947
Operating - Supporting	854,760	732,500
Non-Operating Expenses	77,554	79,080
Total Expenses	6,948,110	4,457,527
Change in Net Position	6,543,388	7,934,582
Net Position at Beginning of Year, as Previously Reported	95,935,107	88,000,525
Prior Period Adjustments	(434,968)	-
Net Position at Beginning of Year as Adjusted	95,500,139	88,000,525
Net Position at end of Year	\$ 102,043,527	\$ 95,935,107

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Continued)

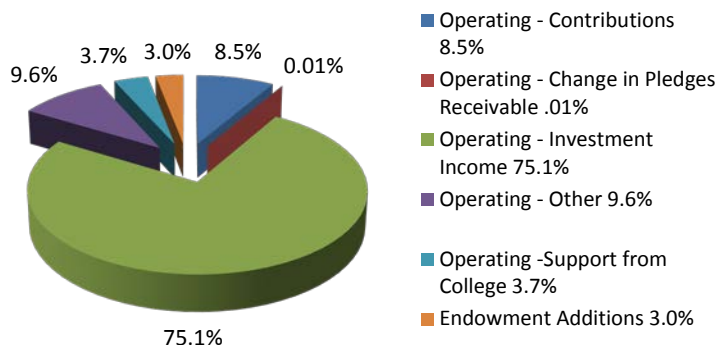
Significant differences between 2017 and 2016 revenues and expenses are discussed below:

REVENUES

Operating Revenue – Overall Operating Revenue increased by 13.9%, or \$1.6 million, with investment income increasing by 64%, or \$4 million, due to favorable market conditions in 2017. There was a slight increase in rental income due to higher occupancy in College Square Apartments, along with a 13% increase in special event revenue for the Taste of Ocala event. These increases were offset by a 68% decrease in private contributions due to the receipt of the Vintage Farm donation during 2016. There was a 17.5% increase in support received by the College due to a filled vacancy and personnel cost adjustments.

Endowment Additions Revenue: Permanently restricted contributions to the endowment fund experienced a 68% decrease due to the receipt of four estate gifts during 2016.

2017 Revenue



REVENUE

Operating – Contributions consists of private non-endowed contributions.

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

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

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

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

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Continued)

EXPENSES

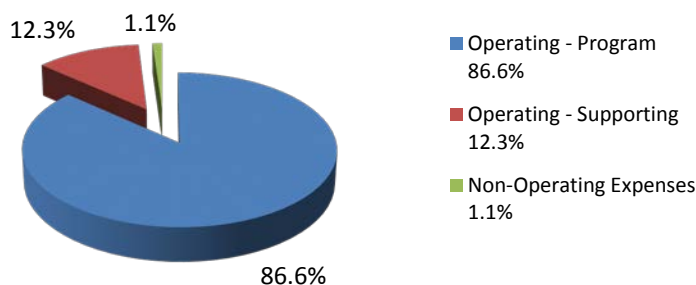
Operating – Program expenses include scholarships, academic program and institutional support as well as distributions for temporarily restricted purposes. A majority of operating program expenses are funded through earnings on endowments. Although the Foundation’s fiscal year is January to December, endowment allocations are made in line with the College’s academic and fiscal year which is July to June.

During 2017, the Foundation provided \$968,165 in scholarship support, \$572,081 in academic program support and \$3,389,970 in institutional support. Overall, 2017 program expenses increased 65% due primarily to additional support provided to the Appleton Museum, along with an increase in endowed chair awards. Appleton Museum endowments held by the Foundation matured in 2015, and a 5 year agreement was reached to provide \$500,000 in support of Appleton Museum operations. The Foundation Board of Directors approved an endowment spending rate of 3.5% for endowed scholarship and chair awards during the 2017-18 academic year. In July, 2017, an additional allocation was required to fund all operations at the Appleton Museum; this was in response to losing all State funding.

Operating – Supporting expenses are comprised of general and administrative expenses including personnel costs, insurance, utilities and maintenance. In 2017, supporting expenses totaled \$854,760, an increase of 16.7%, or \$122,260 over 2016 expenses due primarily to the filling of two positions that were vacant during 2016.

Non-Operating Expenses totaled \$77,554 for 2017 compared to \$79,080 in 2016, a decrease of 1.9%. This amount reflects interest paid on the Foundation’s long-term debt financing. The final payment for the College Square bond was made on January 2, 2014. Beginning December 2014, repayment to the College for College Square support began in accordance with an 11 year agreement approved by the Board during 2013. Payment of the Enterprise Center long term debt will be complete in 2023.

2017 Expense



Expense:

Operating – Program is comprised of donor relations, institutional and academic program support, scholarships, special events, student housing and Enterprise Center expenses.

Operating – Supporting includes general administration expenses.

Non-Operating Expenses consists of interest expense.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Concluded)

NET POSITION

As a result of the foregoing activity, net position increased by \$6,108,420 to \$102,043,527, an increase of 6.4%. Included in unrestricted net position are board-designated reserve accounts that have been established as follows:

Scholarship Reserve	\$ 1,132,405
Endowed Chair/Grant Reserve	275,650
Insurance Reserve	<u>32,000</u>
Total Reserves	<u>\$ 1,440,055</u>

DEBT ADMINISTRATION

	<u>December 2017</u>	<u>December 2016</u>
Long-term Debt:		
Bonds Payable	\$ 975,000	\$ 1,120,000
Advances from the College	<u>780,343</u>	<u>880,343</u>
Total	<u>\$ 1,755,343</u>	<u>\$ 2,000,343</u>

OTHER

In 2011, the Foundation's Board of Directors (the Board) completed its research into alternative options and strategies for management of the Foundation's investment portfolio. At the end of that very lengthy and comprehensive process, the Board approved replacing the current investment advisor with a firm having specific expertise in managing educationally based endowed investments including several educational foundations in Florida. This transition took place in late December 2011 and was fully implemented the first week of January 2012. In late 2013, the Board approved a 5% investment in core property and alternatives, implemented January 2014. During 2017, the core endowment earned 14.73% overall, with core property earning 8.65% and alternatives 7.84%. Since inception with the current investment firm, the core endowment has earned 10.85% overall, with core property earning 10.51% and alternatives 2.29%. The CF Foundation's total portfolio 3 year annualized return is 8.23%.

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

REQUESTS FOR INFORMATION

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

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 4,199,098
Pledge Receivable, Current Portion, Net	3,400
Prepaid Expenses and Other Current Assets	62,056
Total Current Assets	4,264,554
Capital Assets, Net	
Capital Assets Not Being Depreciated	19,365,075
Capital Assets Being Depreciated, Net	4,665,814
Total Capital Assets, Net	24,030,889
Noncurrent Assets	
Cash and Cash Equivalents - Endowment	886,513
Investments	75,084,662
Investments - Gift Annuity	319,395
Charitable Remainder Trusts	271,226
Cash Surrender Value of Life Insurance	31,713
Pledge Receivable, Noncurrent Portion, Net	15,000
Total Noncurrent Assets	76,608,509
Total Assets	104,903,952

LIABILITIES

Current Liabilities	
Accounts Payable and Accrued Expenses	124,546
Scholarship Payable	289,119
Interest Payable on Bonds	3,526
Escrow - Housing Deposits	57,670
Unearned Revenue	39,600
Current Portion of Advances from College of Central Florida	100,000
Current Portion of Gift Annuity Payable	16,421
Current Portion of Bonds Payable	154,998
Total Current Liabilities	785,880
Long-term Liabilities	
Long-term Portion of Advances from College of Central Florida	680,343
Long-term Portion of Gift Annuity Payable	111,208
Long-term Portion of Bonds Payable	820,002
Total Long-term Liabilities	1,611,553
Total Liabilities	2,397,433
Deferred Inflows of Resources	
Split Interest Agreements	271,226
Gift Annuity	191,766
Total Deferred Inflows of Resources	462,992

NET POSITION

Net Position	
Net Investment in Capital Assets	23,055,889
Restricted:	
Nonexpendable	62,317,684
Expendable	2,073,544
Unrestricted	14,596,410
Total Net Position	\$ 102,043,527

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Revenues	
Private Contributions	\$ 1,149,050
Change in Pledges Receivable	1,477
Rental Income and Fees	1,205,394
Investment Income	10,127,612
Special Events	95,460
Support from College of Central Florida	505,113
Total Operating Revenues	<u>13,084,106</u>
Operating Expenses	
Program Services:	
Donor Relations	96,392
Institutional Support	3,389,970
Scholarships	968,165
Academic Program Support	572,081
Special Events	86,053
Student Housing	624,609
Enterprise Center	278,526
Total Program Services	<u>6,015,796</u>
Supporting Services:	
General Administration	854,760
Total Supporting Services	<u>854,760</u>
Total Operating Expenses	<u>6,870,556</u>
Operating Income	<u>6,213,550</u>
Nonoperating Revenue (Expense)	
Interest Expense	(77,554)
Total Nonoperating Revenue	<u>(77,554)</u>
Change in Net Position Before Endowment Contributions	6,135,996
Private Endowment Contributions	<u>407,392</u>
Change in Net Position	6,543,388
Net Position, Beginning of Year, as Previously Reported	95,935,107
Prior Period Adjustments	(434,968)
Net Position, Beginning of Year as Adjusted	<u>95,500,139</u>
Net Position, End of Year	<u><u>\$ 102,043,527</u></u>

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities	
Cash Received from Donors	\$ 2,168,953
Cash Received from Rental Tenants	1,205,394
Cash Paid to College of Central Florida, Vendors, and Suppliers	(6,312,958)
Cash Received for Investments and Dividends	2,561,540
Cash Received from Sale of Investments	10,086,254
Cash Paid for Purchases of Investments	(7,580,625)
Net Cash Used in Operating Activities	<u>2,128,558</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(202,019)
Bond Payments	(145,000)
Annuity Payments	(16,421)
Interest Paid on Debt	(78,079)
Payments on Advances from College of Central Florida	(100,000)
Net Cash Used in Financing Activities	<u>(541,519)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,587,039
Cash and Cash Equivalents, Beginning of Year	<u>3,498,572</u>
Cash and Cash Equivalents, End of Year	<u><u>5,085,611</u></u>
Shown on the Statement of Net Position as:	
Cash and Cash Equivalents	4,199,098
Cash and Cash Equivalents - Endowment	886,513
Total Cash and Cash Equivalents	<u><u>5,085,611</u></u>
Reconciliation of Operating Income to Net Cash	
Used in (Provided by) Operating Activities	
Operating Income	6,213,550
Adjustments to Reconcile Operating Income to Net Cash	
Used in (Provided by) Operating Activities:	
Depreciation and Amortization	225,318
Donation of Stock	-
Net Realized and Unrealized Gain on Investments	(5,060,443)
Private Endowment Contributions	407,392
Noncash Contributions of Property	-
Decrease (Increase) in:	
Charitable Remainder Trusts	(12,376)
Pledges Receivable	18,400
Prepaid Expenses and Other Current Assets	2,507
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	40,654
Scholarships Payable	289,119
Escrow - Housing Deposits	(9,785)
Unearned Revenue	3,194
Gift Annuity Payable	11,028
Total Adjustments	<u>(4,084,992)</u>
Net Cash Used in (Provided by) Operating Activities	<u><u>\$ 2,128,558</u></u>

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1 - Summary of Significant Accounting Policies

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

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

For financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Foundation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with 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.

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

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

Endowment Account—Records nonexpendable donations received by the Foundation subject to donor-imposed restrictions and unrestricted donations received by the Foundation subject to designation by the Foundation's Board of Directors (The Board), requiring that the principal be invested in perpetuity and that only income (including appreciation) can be used for scholarships and endowed chair activities. The endowment principal balance fluctuates as investment income, including realized and unrealized appreciation is allocated to each endowment on a pro rata basis based on its balance as a percentage of the total endowment fund. Beginning in 1992, the Board approved the unrestricted operating fund to charge up to a 2.5% reinvestment fee against current earnings to recover the costs of administering endowment and general operations. During the 2017 fiscal year, a reinvestment fee of 1.6% was charged on active endowments.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Concluded)

General Plant Account—consists of the net investment in land, buildings and equipment plus resources, if any, restricted by the donor to be used for plant additions, except for the student housing facility. The artwork and collections of the Appleton Museum of Art are also included in the general plant account. Art acquisitions are recorded at cost if purchased or at market value on the date of receipt if donated, based on a bona fide appraisal. Although the artwork and collections have been capitalized, they are considered inexhaustible and therefore not depreciable.

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

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

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

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

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

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

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

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

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

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Nonoperating Revenues—Include revenues derived from contributions restricted for capital additions or endowments.

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

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

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

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

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

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

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

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

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

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

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

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

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

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

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 2 - Rental Income

Rental income is received by the Foundation from the following sources:

- A 99-year lease on property located in Columbus, Ohio, was donated. Rent of \$2,500 is payable in advance every three months. The lease expires in the year 2022 and is renewable in perpetuity at the option of the lessee.
- Single-family residence located in Ocala, Florida, on a portion of land that was purchased by the Foundation for construction of the student housing facility. Rent of \$970 is payable monthly on the 1st of each month. A new annual lease agreement started December 1, 2017, for \$995 per month.
- Single-family residence located in Ocala, Florida, on a portion of land that was purchased by the Foundation for construction of the student housing facility. Rent of \$1025 is payable on the 1st of each month. The lease expires on December 31, 2017.
- College Square, a 48-unit student residence that houses 192 students, charges monthly rent of between \$300 and \$480, depending on the length of lease. The length of a lease varies, depending on the tenants' needs. The Foundation has contracted with Ellison Property Management since July 2002 to manage the property. The property's daily operations are handled through the management office at College Square.
- The property adjacent to College Square in Ocala, Florida, is leased to Francis Marion Military Academy. Rent of \$2,947 is payable on the 1st of each month. The lease ended on June 30, 2017.
- The Enterprise Center, a commercial office building, is leased to various organizations with purposes consistent to the College's goals of educating and providing employment opportunities to its graduating students. CareerSource Citrus Levy Marion leases space on the first and second floors. The Small Business Development Center and The Talent Center occupy the first floor, along with several other small business ventures.

Rental income to be received over the next five years under noncancellable operating leases is as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Rental Income</u>
2018	\$ 233,508
2019	226,743
2020	164,160
2021	168,014
2022	166,035

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 3 - Cash, Cash Equivalents, and Investments

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

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

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

<u>Endowment Investment</u>	<u>Maturities (Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Fair Value Measurement Level</u>
Edith Marie Appleton Endowment:				
Government/Corporate				
Bond	7.10	AA	\$ 727,604	1
High Yield Bonds	5.29	Unrated	195,061	1
Equities	N/A	N/A	3,368,346	1
Global Real Estate	N/A	N/A	143,615	1
Commodities	N/A	N/A	254,760	1
Cash and Cash Equivalents	N/A	N/A	<u>202,563</u>	N/A
Total			<u>4,891,949</u>	
Arthur Appleton Endowment:				
Government/Corporate				
Bond	7.10	AA	2,419,006	1
High Yield Bonds	5.29	Unrated	648,502	1
Equities	N/A	N/A	11,186,687	1
Global Real Estate	N/A	N/A	477,587	1
Commodities	N/A	N/A	847,109	1
Cash and Cash Equivalents	N/A	N/A	<u>683,538</u>	N/A
Total			<u>16,262,429</u>	

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 3 - Cash, Cash Equivalents, and Investments (Continued)

<u>Endowment Investment</u>	<u>Maturities (Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Fair Value Measurement Level</u>
Other Endowment Investments:				
Investment Grade Fixed Income	2.82	AA	\$ 7,327,997	1
Noninvestment Grade Fixed Income	2.35	B	3,018,283	1
Investment Bonds	4.87	BBB	1,973,606	1
Equities	N/A	N/A	32,811,139	1
Balance Funds	N/A	N/A	3,085,911	1
Hedge Funds	N/A	N/A	5,494,110	2
Cash and Cash Equivalents	N/A	N/A	<u>1,042</u>	N/A
Total			<u>53,712,088</u>	
Total Endowed Investment (Including Cash)			<u>\$ 74,866,466</u>	

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

<u>Non-Endowed Investment</u>	<u>Maturities (Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Fair Value Measurement Level</u>
Other Investments:				
Investment Grade Fixed Income	2.42	AA	\$ 1,158,012	1
Noninvestment Grade Fixed Income	2.35	B	139,952	1
Investment Bonds	5.03	BBB	111,651	1
US Equity Funds	N/A	N/A	14,489	1
Cash and Cash Equivalents	N/A	N/A	<u>4,199,098</u>	N/A
Total			<u>\$ 5,623,202</u>	
Total All Cash and Investments			<u>\$ 80,489,668</u>	

Both endowed and non-endowed investments are shown in the accompanying Statement of Net Position as follows:

Cash and Cash Equivalents	\$ 4,199,098
Cash and Cash Equivalents - Endowment	886,513
Investments	75,084,662
Investments - Gift Annuity	<u>319,395</u>
Total	<u>\$ 80,489,668</u>

The Foundation categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. 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 input, which is based on matrix pricing or evaluated pricing methodologies; Level 3 inputs are significant unobservable inputs. The Foundation does not have any investments that are Level 3 inputs.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 3 - Cash, Cash Equivalents, and Investments (Concluded)

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

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

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

Custodial Credit Risk—For deposits at December 31, 2017, cash and cash equivalents, including cash and cash equivalents held in endowment, were held by depositories and the bank balances amounted to \$5,085,611 of which \$3,921,319 was uninsured and uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Foundation’s name.

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

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

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

■ **Other Endowed Investments**

All investments managed by SEI Investments Management Corp. were held in counterparty accounts with Regions Financial Corporation, as custodian for the Foundation.

Concentration of Credit Risk—Disclosure of any issuer of investments that in the aggregate is 5% or more of the portfolio is required to be disclosed as a concentration of credit risk (investments issued by or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools, and other pooled investments are exempt.). As of December 31, 2017, there were no concentrations of credit risk.

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

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 4 - Charitable Gift and Remainder Annuity Trusts

As of December 31, 2017, the Foundation holds a remainder interest in several charitable remainder trusts. Under the terms of these trusts, the beneficiaries are to receive annual distributions during the lifetime of the donor(s). Upon the death of the donor(s), the funds remaining will be endowed or spent in accordance with the wishes of the donor(s).

As of December 31, 2017, the Foundation has entered into charitable gift annuity agreements with donors. Under terms of these agreements, the beneficiaries are to receive annual distributions of an amount equal to between 5.2% and 7.3% of the original principal of the trust for the life of the donor(s). The present value of the annuity payment liabilities at December 31, 2017, has been calculated based on the respective payouts and discount rates as determined by the trust documents. This amount is reflected on the balance sheet as a gift annuity liability. Upon the death of the donor(s), any funds remaining will be endowed or spent in accordance with the wishes of the donor(s) (see Note 10 for change in the liability for the fiscal year ended December 31, 2017).

Note 5 - Capital Assets

A summary of Appleton Museum and all other property and equipment of the Foundation is as follows at December 31, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Student Housing and Rental Houses				
Property and Equipment Not Being Depreciated:				
Land	\$ 459,640	\$ -	\$ -	\$ 459,640
Capital Assets Being Depreciated:				
Student Housing Buildings and Improvements	2,984,330			2,984,330
Rental Houses	93,303	-	-	93,303
Total Capital Assets Being Depreciated	3,077,633	-	-	3,077,633
Less Accumulated Depreciation:				
Student Housing Buildings and Improvements	(1,760,032)	(71,205)	-	(1,831,237)
Rental Houses	(53,280)	(2,333)	-	(55,613)
Total Accumulated Depreciation	(1,813,312)	(73,538)	-	(1,886,850)
Total Capital Assets Being Depreciated, Net	1,264,321	(73,538)	-	1,190,783
Total Student Housing and Rental Houses, Net	\$ 1,723,961	\$ (73,538)	\$ -	\$ 1,650,423

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 5 - Capital Assets (Concluded)

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Other Capital Assets				
Capital Assets Not Being Depreciated:				
Appleton Collection and Artwork	\$ 16,985,565	\$ -	\$ -	\$ 16,985,565
Other Donated Collections and Artwork	24,000	-	-	24,000
Land - Lot 7, College Park	16,000	-	-	16,000
Land - Ohio Downtown Commercial Property	160,000	-	-	160,000
Land - Orange Lake, Marion County	169,851	-	-	169,851
Land - E Hwy 40	-	202,019	-	202,019
Land - Vintage Farm	1,348,000	-	-	1,348,000
Total Capital Assets Not Being Depreciated	18,703,416	202,019	-	18,905,435
Capital Assets Being Depreciated:				
Buildings - Enterprise Center	2,985,432	-	-	2,985,432
Equipment - Enterprise Center	38,539	-	-	38,539
Office Equipment	1,250	-	-	1,250
Donated Educational Equipment	701	-	-	701
Buildings - Vintage Farm	1,602,000	-	-	1,602,000
Total Capital Assets Being Depreciated	4,627,922	-	-	4,627,922
Less Accumulated Depreciation:				
Buildings - Enterprise Center	(961,322)	(74,635)	-	(1,035,957)
Buildings - Vintage Farms	-	(77,145)	-	(77,145)
Equipment - Enterprise Center	(38,539)	-	-	(38,539)
Office Equipment	(1,250)	-	-	(1,250)
Total Accumulated Depreciation	(1,001,111)	(151,780)	-	(1,152,891)
Total Capital Assets Being Depreciated, Net	3,626,811	(151,780)	-	3,475,031
Other Capital Assets, Net	22,330,227	50,239	-	22,380,466
Total Capital Assets - at Cost	26,868,611	202,019	-	27,070,630
Total Accumulated Depreciation	(2,814,423)	(225,318)	-	(3,039,741)
Total Capital Assets, Net	\$ 24,054,188	\$ (23,299)	\$ -	\$ 24,030,889

Total depreciation expense for the year ended December 31, 2017, was \$225,318.

The total value of the artwork and collections at The Appleton Museum of Art exceeds the \$16,985,565 which is recorded in the accounting records of the Foundation, based on a professional appraisal of the top items in the collection, together with acquisitions that have been made since that time. The remaining items in the collection that were not appraised have not been included in the capitalization of the collection.

The Vintage Farm was gifted to the Foundation in December 2016. The total appraised value of the farm is \$2,950,000, the land valued at \$1,348,000 and the buildings and equipment at \$1,602,000.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 6 - Net Position

Net position consists of the following at December 31, 2017:

Operating Account

Unrestricted:

Designated Reserve for Scholarships	\$ 1,132,405	
Designated Reserve for Chairs	275,650	
Designated Reserve for Insurance	32,000	
Undesignated	1,456,270	
Net investment in Capital Assets	<u>547,870</u>	
Total Unrestricted Operating Account		<u>\$ 3,444,195</u>

Restricted:

Restricted for Annual and Major Gifts Campaign	875,271	
Restricted for Scholarships	190,685	
Restricted for Other Uses	<u>1,007,588</u>	
Total Restricted Operating Account		<u>2,073,544</u>

Total Operating Account

5,517,739

Endowment Account

Nonexpendable:

Total Endowed for Scholarships	23,284,083	
Total Endowed for Appleton Museum	21,098,286	
Total Endowed Chairs	13,449,518	
Total Promise for the Future Endowment	4,122,404	
Total Endowed for Other Purposes	<u>363,393</u>	
Total Nonexpendable		<u>62,317,684</u>

Board Designated:

Board Designated Scholarships	5,852,591	
Board Designated Chairs	<u>5,941,257</u>	
Total Board Designated		<u>11,793,848</u>

Total Endowment Account

74,111,532

General Plant Account:

Invested in Capital Assets	19,883,121	
Unrestricted	<u>(3,150)</u>	
Total General Plant Account		<u>19,879,971</u>

Student Housing Account

Invested in Capital Assets	1,650,423	
Unrestricted	<u>(228,390)</u>	
Total Student Housing Account		<u>1,422,033</u>

Enterprise Center Account

Invested in Capital Assets	974,475	
Unrestricted	<u>137,777</u>	
Total Enterprise Center Account		<u>1,112,252</u>

Total Net Position

\$ 102,043,527

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 7 - Scholarships

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

Scholarship expense was recognized in the following accounts during the year ended December 31, 2017:

From Endowment Accounts	\$ 747,190
From Restricted Accounts	91,495
From Unrestricted Accounts	<u>129,480</u>
Total	<u>\$ 968,165</u>

Note 8 - Academic Program Support

The Foundation expended a total of \$572,081 for academic program support. In 1994, the Foundation began an endowed chairs program. The endowed chair expenditures represent a majority of academic program support expense:

From Endowment Accounts	\$ <u>296,122</u>
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All chairs are funded from endowed investment earnings. Currently, there are five endowed chair categories:

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

Note 9 - Support from College of Central Florida

All employees of the Foundation are considered employees of the College. All salaries, benefits, retirement benefits through the Florida Retirement System, and payroll taxes are paid by the College. The Foundation agreed to reimburse the College for a portion of such payroll expenses for the year ended December 31, 2017, based on a memorandum of understanding. Actual expenses of \$594,447 exceeded the payments of \$160,950 made by the Foundation, of which \$433,497 is included as support from College of Central Florida and personnel expenses in the statement of revenues, expenses, and changes in net position.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 10 - Long-term Liabilities

The Foundation's long-term liabilities include advances, bonds payable, and gift annuities. The following is a schedule of changes in the Foundation's noncurrent liabilities for the fiscal year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental-type Activities					
Long-term Advances from					
The College	\$ 880,343	\$ 0	\$ 100,000	\$ 780,343	\$ 100,000
Enterprise Center Revenue					
Bonds	1,120,000	0	145,000	975,000	154,998
Gift Annuity	<u>133,022</u>	<u>0</u>	<u>5,393</u>	<u>127,629</u>	<u>16,421</u>
Total Noncurrent Liabilities	<u>\$ 2,133,365</u>	<u>\$ 0</u>	<u>\$ 250,393</u>	<u>\$ 1,882,972</u>	<u>\$ 271,419</u>

Advances from College of Central Florida—During December 2003, the Foundation agreed to legally obligate itself to the College in the form of an uncollateralized, noninterest bearing advance to assist with unfunded debt service and operating costs associated with College Square, the student housing complex constructed by the Foundation in 1994. The cumulative total of these advances totaled \$1,180,343 of which the Foundation and the College worked out a repayment plan and began repayment in 2014, the date that the long-term debt associated with the project is paid in full. During 2017, the Foundation imputed interest on the balance outstanding at the rate of 4.50%, the prime rate at December 31, 2017.

Following is a debt service schedule of these advances for the year ended December 31, 2017:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 100,000	\$ 0	\$ 100,000
2019	100,000	0	100,000
2020	100,000	0	100,000
2021	100,000	0	100,000
2022	100,000	0	100,000
2023-2024	<u>280,343</u>	<u>0</u>	<u>280,343</u>
Total Debt Service	<u>\$ 780,343</u>	<u>\$ 0</u>	<u>\$ 780,343</u>

Enterprise Center Revenue Bonds

In May 2003, the Foundation issued tax-exempt Industrial Development Revenue Bonds, Series 2003 A1 with a 20-year maturity through the Florida Development Finance Corp. to construct a 25,400 sq. ft. office building known as the Enterprise Center for lease on the Ocala campus of College of Central Florida. The bonds were refinanced in 2010 for \$1,800,000.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

Note 10 - Long-term Liabilities (Concluded)

Enterprise Center Revenue Bonds (Concluded)

Amount of Bonds Refinanced	\$1,800,000
Amount of Bonds Issued	\$2,000,000
Interest Rate	4.125% fixed for five years; adjusted to 4.2% in June 2015, rate may be adjusted in succeeding five-year term through 2023 to reflect current market interest rates.
Repayments Terms	Monthly Payments of Principal and Interest.
Security	First mortgage on real property consisting of 25,400 sq. ft. office building; first lien on personal property; assignments of rent, contracts, and leases.
Bondholder	Community Bank & Trust of Florida

Following is a debt service schedule of the bonds to maturity based on the rate in effect for the year ended December 31, 2017:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 154,998	\$ 38,543	\$ 193,541
2019	165,000	31,747	196,747
2020	175,002	24,526	199,528
2021	184,998	16,878	201,876
2022	195,000	8,805	203,805
2023-2024	<u>100,002</u>	<u>1,239</u>	<u>101,241</u>
Total Debt Service	<u>\$ 975,000</u>	<u>\$ 121,738</u>	<u>\$ 1,096,738</u>

Note 11 - Operating Lease

The Foundation leases utility and maintenance services from The College of Central Florida. Utility and maintenance expense under the lease agreement for the year ended December 31, 2017, was \$194,826.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 200,671
2019	206,691
2020	212,891
2021	219,278
2022	225,857
2023-2025	<u>472,243</u>
Total	<u>\$ 1,537,631</u>

Note 12 - Insurance Policies

The Foundation is the owner of three life insurance policies that have cash surrender values totaling \$31,713.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Concluded)

Note 13 - Risk Management

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

Workers' Compensation	Property Damage
Liability	Health

Note 14 - Annual Fund and Major Gifts Campaign

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

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

Pledges Receivable, December 31, 2016, Gross	\$	40,000
Additions		34,098
Payments Received		(53,975)
Current-year Write-offs		(123)
Pledges Receivable, December 31, 2017, Gross		<u>20,000</u>
Allowance for Uncollectible Pledges		(1,600)
Pledges Receivable, December 31, 2017	\$	<u><u>18,400</u></u>

Note 15 - Annual Fund and Major Gifts Campaign

Shown in the financial statements as:

Current	\$	3,400
Noncurrent		15,000
Total	\$	<u><u>18,400</u></u>

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

Note 16 - Prior Period Adjustments

In 2017, the Foundation implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which requires the recognition of revenue when the resources become applicable to the reporting period. The effect of the retroactive application of GASB Statement No. 81 was a reduction in beginning restricted net position and an increase in beginning deferred inflows of \$434,968.

SUPPLEMENTARY INFORMATION

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2017

	Enterprise Fund						Total
	Operating		Endowment Account	General Plant Account	Student Housing Account	Enterprise Center Account	
	Unrestricted Account	Restricted Account					
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 1,598,270	\$ 1,842,346	\$ -	\$ -	\$ 622,068	\$ 136,414	\$ 4,199,098
Pledges Receivable, Current Portion, Net	-	3,400	-	-	-	-	3,400
Prepaid Expenses and Other Current Assets	14,745	-	42,122	-	250	4,939	62,056
Total Current Assets	1,613,015	1,845,746	42,122	-	622,318	141,353	4,264,554
Capital Assets, Net							
Capital Assets Not Being Depreciated	547,870	-	-	18,357,565	459,640	-	19,365,075
Capital Assets Being Depreciated, Net	-	-	-	1,525,556	1,190,783	1,949,475	4,665,814
Total Capital Assets, Net	547,870	-	-	19,883,121	1,650,423	1,949,475	24,030,889
Noncurrent Assets							
Cash and Cash Equivalents:							
Endowment	-	-	886,513	-	-	-	886,513
Investments	1,409,616	14,490	73,660,556	-	-	-	75,084,662
Investments - Gift Annuity	-	-	319,395	-	-	-	319,395
Charitable Remainder Trusts	-	-	271,226	-	-	-	271,226
Cash Surrender Value of Life Insurance	-	-	31,713	-	-	-	31,713
Interfund Advances	(30,307)	219,321	(185,871)	(3,150)	-	7	-
Pledges Receivable, Noncurrent Portion, Net	-	15,000	-	-	-	-	15,000
Total Noncurrent Assets	1,379,309	248,811	74,983,532	(3,150)	-	7	76,608,509
Total Assets	\$ 3,540,194	\$ 2,094,557	\$ 75,025,654	\$ 19,879,971	\$ 2,272,741	\$ 2,090,835	\$ 104,903,952

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2017
(Concluded)

	Enterprise Fund						Total
	Operating		Endowment Account	General	Student	Enterprise	
	Unrestricted Account	Restricted Account		Plant Account	Housing Account	Center Account	
LIABILITIES							
Current Liabilities							
Accounts Payable and Accrued Expenses	\$ 56,399	\$ -	\$ 55,395	\$ -	\$ 12,695	\$ 57	124,546
Scholarships Payable	-	21,013	268,106	-	-	-	289,119
Interest Payable on Bonds	-	-	-	-	-	3,526	3,526
Escrow - Housing Deposits	-	-	-	-	57,670	-	57,670
Unearned Revenue	39,600	-	-	-	-	-	39,600
Current Portion of Advances from College of Central Florida	-	-	-	-	100,000	-	100,000
Current Portion of Gifts Annuity Payable	-	-	16,421	-	-	-	16,421
Current Portion of Bonds Payable	-	-	-	-	-	154,998	154,998
Total Current Liabilities	95,999	21,013	339,922	-	170,365	158,581	785,880
Long-term Liabilities							
Long-term Portion of Advances from College of Central Florida	-	-	-	-	680,343	-	680,343
Gift Annuity Payable	-	-	111,208	-	-	-	111,208
Bonds Payable, Less Current Portion	-	-	-	-	-	820,002	820,002
Total Long-term Liabilities	-	-	111,208	-	680,343	820,002	1,611,553
Total Liabilities	\$ 95,999	\$ 21,013	\$ 451,130	\$ 0	\$ 850,708	\$ 978,583	\$ 2,397,433
Deferred Inflows of Resources							
Split Interest Agreements	\$ -	\$ -	\$ 271,226	\$ -	\$ -	\$ -	\$ 271,226
Gift Annuity	-	-	191,766	-	-	-	191,766
Total Deferred Inflows of Resources	\$ -	\$ -	\$ 462,992	\$ -	\$ -	\$ -	\$ 462,992
NET POSITION							
Net Position							
Net Investment in Capital Assets	\$ 547,870	\$ -	\$ -	\$ 19,883,121	\$ 1,650,423	\$ 974,475	\$ 23,055,889
Restricted :							
Nonexpendable	-	-	62,317,684	-	-	-	62,317,684
Expendable	-	2,073,544	-	-	-	-	2,073,544
Unrestricted	2,896,325	-	11,793,848	(3,150)	(228,390)	137,777	14,596,410
Total Net Position	\$ 3,444,195	\$ 2,073,544	\$ 74,111,532	\$ 19,879,971	\$ 1,422,033	\$ 1,112,252	\$ 102,043,527

See accompanying notes

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Fund						Total
	Operating		Endowment	General	Student	Enterprise	
	Unrestricted	Restricted					
	Account	Account	Account	Account	Account	Account	
Operating Revenue							
Private Contributions	\$ 31,862	\$ 1,116,450	\$ 738	\$ -	\$ -	\$ -	\$ 1,149,050
Change in Pledges Receivable	-	1,477	-	-	-	-	1,477
Rental Income and Fees	30,732	-	-	-	910,140	264,522	1,205,394
Investment Income	80,245	22,999	10,024,368	-	-	-	10,127,612
Special Events	94,960	500	-	-	-	-	95,460
Support from College of Central Florida	471,948	-	-	-	33,165	-	505,113
Total Operating Revenue	709,747	1,141,426	10,025,106	-	943,305	264,522	13,084,106
Operating Expenses							
Program Services:							
Donor Relations	94,645	1,747	-	-	-	-	96,392
Institutional Support	70,893	2,164,533	1,154,544	-	-	-	3,389,970
Scholarships	-	91,495	747,190	-	129,480	-	968,165
Academic Program Support	-	-	572,081	-	-	-	572,081
Special Events	86,053	-	-	-	-	-	86,053
Student Housing	-	-	-	-	624,609	-	624,609
Enterprise Center	-	-	-	-	-	278,526	278,526
Total Program Services	251,591	2,257,775	2,473,815	-	754,089	278,526	6,015,796
Supporting Services							
General Administration	768,608	1,065	7,942	77,145	-	-	854,760
Total Support Services	768,608	1,065	7,942	77,145	-	-	854,760
Total Operating Expenses	1,020,199	2,258,840	2,481,757	77,145	754,089	278,526	6,870,556
Operating Income (Loss)	\$ (310,452)	\$ (1,117,414)	\$ 7,543,349	\$ (77,145)	\$ 189,216	\$ (14,004)	\$ 6,213,550

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC - OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017
(Concluded)

	Enterprise Fund						Total
	Operating		Endowment Account	General Plant Account	Student Housing Account	Enterprise Center Account	
	Unrestricted Account	Restricted Account					
Nonoperating Revenue (Expense)							
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ (33,165)	\$ (44,389)	\$ (77,554)
Support from College of Central Florida	-	-	-	-	-	-	-
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,165)</u>	<u>(44,389)</u>	<u>(77,554)</u>
Change in Net Position Before Endowment Contributions and Transfers	(310,452)	(1,117,414)	7,543,349	(77,145)	156,051	(58,393)	6,135,996
Endowment Contributions and Transfers							
Private Endowment Contributions	-	-	407,392	-	-	-	407,392
Interfund Transfers	640,091	(193,680)	204,545	-	-	112,690	763,646
Endowment Reinvestment Fees	-	-	(763,646)	-	-	-	(763,646)
Total Endowment Contributions and Transfers	<u>640,091</u>	<u>(193,680)</u>	<u>(151,709)</u>	<u>-</u>	<u>-</u>	<u>112,690</u>	<u>407,392</u>
Change in Net Position	329,639	(1,311,094)	7,391,640	(77,145)	156,051	54,297	6,543,388
Net Position, Beginning of Year, as Previously Reported	3,114,556	3,384,638	67,154,860	19,957,116	1,265,982	1,057,955	95,935,107
Prior Period Adjustments	-	-	(434,968)	-	-	-	(434,968)
Net Position, Beginning of Year as Adjusted	<u>3,114,556</u>	<u>3,384,638</u>	<u>66,719,892</u>	<u>19,957,116</u>	<u>1,265,982</u>	<u>1,057,955</u>	<u>95,500,139</u>
Net Position, End of Year	<u>\$ 3,444,195</u>	<u>\$ 2,073,544</u>	<u>\$ 74,111,532</u>	<u>\$ 19,879,971</u>	<u>\$ 1,422,033</u>	<u>\$ 1,112,252</u>	<u>\$ 102,043,527</u>

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

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
College of Central Florida Foundation, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the College of Central Florida Foundation, Inc. (the Foundation), a component unit of the College of Central Florida, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated June 20, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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Board of Directors
College of Central Florida Foundation, Inc.

**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
(Concluded)**

Compliance and Other Matters (Concluded)

with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Durvis, Gray and Company, LLP

June 20, 2018
Ocala, Florida