

**COLLEGE OF CENTRAL FLORIDA
FOUNDATION, INC.
OCALA, FLORIDA
A COMPONENT UNIT OF THE
COLLEGE OF CENTRAL FLORIDA
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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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, 2018, 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, 2018, 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

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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)

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 19, 2019, 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.

Purvis, Gray, and Company, LLP

June 19, 2019
Ocala, Florida

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

This section of the College of Central Florida Foundation's (the Foundation) annual financial report presents our discussion and analysis of financial performance for the fiscal periods ending on December 31, 2018 and 2017. 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

In comparing 2018 activity to 2017 activity, we note the following:

Total assets decreased by 8.6%, or \$9 million. Current assets increased by \$1.7 million, and capital assets decreased by \$3 million, which is attributable to the transfer of Vintage Farm to the College of Central Florida for use in their Agribusiness and Equine Studies programs. Non-current assets, including the Foundation's investment accounts, decreased by \$7.8 million as a result of poor market performance during the fourth quarter, which negatively affected endowment balances.

There was a net decrease in total liabilities of \$107,940 with an increase in current liabilities of \$162,382 due to the timing of the Fall 2018 Scholarship invoice issued by the College. Noncurrent liabilities decreased by 16.8% or \$270,322, attributable primarily to a \$165,000 reduction in bonds payable for the Enterprise Center, along with 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 resources was reduced by \$100,982 to reflect the maturing of a charitable remainder trust during 2018. Total net position decreased by \$8,833,877.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Continued)

NET POSITION

	December 2018	December 2017
Current Assets	\$ 5,944,296	\$ 4,264,554
Capital Assets, Net	21,069,034	24,030,889
Non-Current Assets	68,847,826	76,608,509
Total Assets	<u>95,861,156</u>	<u>104,903,952</u>
Current Liabilities	948,266	785,880
Noncurrent Liabilities	1,341,231	1,611,553
Total Liabilities	<u>2,289,497</u>	<u>2,397,433</u>
Deferred Inflows of Resources		
Split Interest Agreements	188,942	271,226
Gift Annuity	173,067	191,766
Total Deferred Inflows of Resources	<u>362,009</u>	<u>462,992</u>
Net Position:		
Net Investment in Capital Assets	20,243,182	23,055,889
Restricted	58,851,088	64,391,228
Unrestricted	14,115,380	14,596,410
Net Position at End of Year	<u><u>\$ 93,209,650</u></u>	<u><u>\$102,043,527</u></u>

Significant differences between 2018 and 2017 revenues and expenses are discussed below:

REVENUES

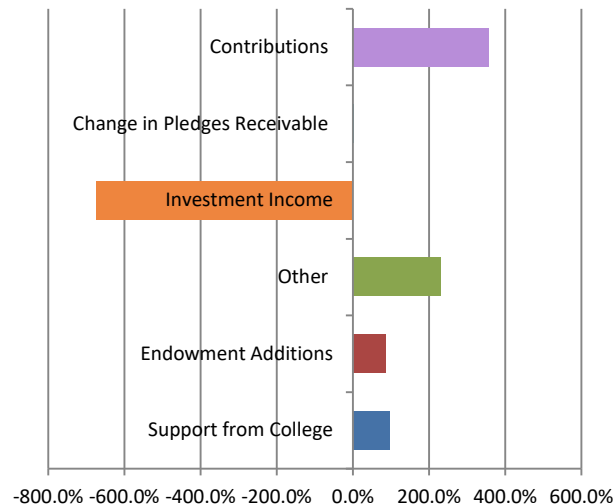
Operating Revenue – Overall Operating Revenue decreased by \$13 million, with investment income decreasing by 135%, or \$13.7 million, due to unfavorable market conditions in 2018. There was a slight decrease in rental income due to vacancies in the Enterprise Center, along with a 37.9% decrease in special event revenue due to the discontinuation of the Dinner Theatre event. These decreases were offset by a 63.7% increase in private contributions due to the receipt of several estate gifts during 2018 as well as an overall increase in contributions. There was also a 1.8% increase in support received by the College due to a non-recurring increase given to employees during 2018.

Endowment Additions Revenue: Permanently restricted contributions to the endowment fund experienced a 12.7% increase due to the receipt of several large gifts during 2018.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Continued)

REVENUES (Concluded)

2018 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.

EXPENSES

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

During 2018, the Foundation provided \$1,198,511 in scholarship support, \$1,030,035 in academic program support and \$5,250,322 in institutional support. Overall, 2018 program expenses increased 41.7% due primarily to the donation of Vintage Farm being passed to the College, along with an increase in scholarships and 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

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Continued)

EXPENSES (Concluded)

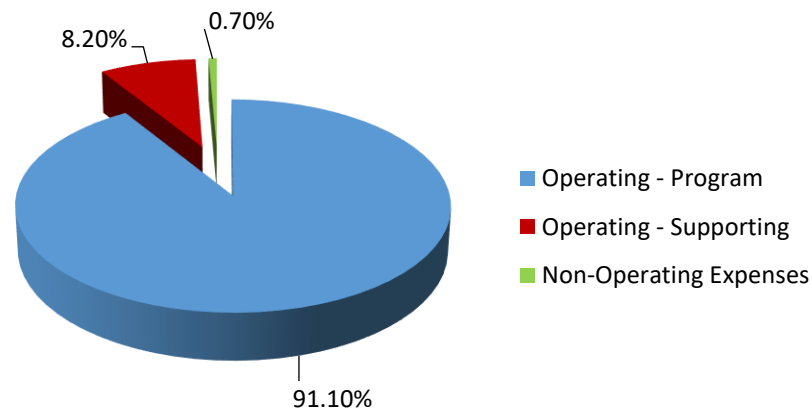
Operating – Program Expenses (Concluded)

operations annually. In July 2017, an additional allocation was requested to fund all operations at the Appleton Museum in response to losing all State funding. The Foundation Board of Directors approved an endowment-spending rate of 4.0% for endowed scholarship and chair awards during the 2018-19 academic year.

Operating – Supporting Expenses are comprised of general and administrative expenses including personnel costs, insurance, utilities, and maintenance. In 2018, supporting expenses totaled \$770,373, a decrease of 9.9%, or \$84,387 over 2017 expenses. As Vintage Farm was removed from the asset listing, less depreciation was recorded during 2018, which makes up the majority of the supporting expense variation.

Non-Operating Expenses, which consists of interest expense, totaled \$66,897 for 2018 compared to \$77,553 in 2017, a decrease of 13.7%. 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.

2018 Expenses



NET POSITION

As a result of the foregoing activity, net position decreased 8.7% or \$8,833,877, to \$93,209,650. Included in unrestricted net position are board-designated reserve accounts that have been established as follows:

Scholarship Reserve	\$ 1,240,992
Endowed Chair/Grant Reserve	279,822
Insurance Reserve	32,000
Total Reserves	<u>\$ 1,552,814</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Concluded)

DEBT ADMINISTRATION

	<u>December 2018</u>	<u>December 2017</u>
Long-term Debt:		
Bonds Payable	\$ 820,002	\$ 975,000
Advances from the College	<u>680,343</u>	<u>780,343</u>
Total	<u>\$ 1,500,345</u>	<u>\$ 1,755,343</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 the volatile market experienced during 2018, the core endowment decreased in market value by 4.27% overall, with core property earning 8.96% and alternatives 5.64%. Since inception with the current investment firm, the core endowment has earned 8.52% overall, with core property earning 10.2% and alternatives 2.95%. The Foundation’s total portfolio 3 year annualized return is 6.39%.

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

REQUESTS FOR INFORMATION

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

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 5,877,891
Pledge Receivable, Current Portion, Net	3,800
Prepaid Expenses and Other Current Assets	62,604

Total Current Assets

5,944,295

Capital Assets, Net

Capital Assets Not Being Depreciated	18,060,581
Capital Assets Being Depreciated, Net	3,008,454

Total Capital Assets, Net

21,069,035

Noncurrent Assets

Cash and Cash Equivalents - Endowment	1,156,079
Investments	67,165,683
Investments - Gift Annuity	294,897
Charitable Remainder Trusts	188,942
Cash Surrender Value of Life Insurance	32,225
Pledge Receivable, Noncurrent Portion, Net	10,000

Total Noncurrent Assets

68,847,826

Total Assets

95,861,156

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Expenses	140,461
Scholarship Payable	433,163
Interest Payable on Bonds	2,966
Escrow - Housing Deposits	71,278
Unearned Revenue	18,977
Current Portion of Advances from College of Central Florida	100,000
Current Portion of Gift Annuity Payable	16,421
Current Portion of Bonds Payable	165,000

Total Current Liabilities

948,266

Long-term Liabilities

Long-term Portion of Advances from College of Central Florida	580,343
Long-term Portion of Gift Annuity Payable	105,886
Long-term Portion of Bonds Payable	655,002

Total Long-term Liabilities

1,341,231

Total Liabilities

2,289,497

Deferred Inflows of Resources

Split Interest Agreements	188,942
Gift Annuity	173,067

Total Deferred Inflows of Resources

362,009

NET POSITION

Net Position

Net Investment in Capital Assets	20,243,182
Restricted:	
Nonexpendable	55,664,684
Expendable	3,186,404
Unrestricted:	
Undesignated	2,023,978
Board Designated	12,091,402

Total Net Position

\$ 93,209,650

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, 2018

Operating Revenues	
Private Contributions	\$ 1,881,492
Change in Pledges Receivable	201
Rental Income and Fees	1,158,378
Investment Income	(3,546,450)
Special Events	59,272
Support from College of Central Florida	514,055
Total Operating Revenues	<u>66,948</u>
Operating Expenses	
Program Services:	
Donor Relations	134,381
Institutional Support	5,250,320
Scholarships	1,198,512
Academic Program Support	1,030,035
Special Events	22,028
Student Housing	603,290
Enterprise Center	284,067
Total Program Services	<u>8,522,633</u>
Supporting Services:	
General Administration	770,374
Total Supporting Services	<u>770,374</u>
Total Operating Expenses	<u>9,293,007</u>
Operating Income	<u>(9,226,059)</u>
Nonoperating Revenue (Expense)	
Interest Expense	(66,898)
Total Nonoperating Revenue	<u>(66,898)</u>
Change in Net Position Before Endowment Contributions	(9,292,957)
Private Endowment Contributions	<u>459,080</u>
Change in Net Position	(8,833,877)
Net Position, Beginning of Year	<u>102,043,527</u>
Net Position, End of Year	<u><u>93,209,650</u></u>

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities

Cash Received from Donors	\$ 3,005,068
Cash Received from Rental Tenants	1,158,378
Cash Paid to College of Central Florida, Vendors, and Suppliers	(6,112,283)
Cash Received for Investments and Dividends	3,997,641
Cash Received from Sale of Investments	13,052,925
Cash Paid for Purchases of Investments	(12,755,034)

Net Cash Used in Operating Activities

2,346,695

Cash Flows from Capital and Related Financing Activities

Acquisition and Construction of Capital Assets	(261,459)
Bond Payments	(154,998)
Annuity Payments	(16,421)
Interest Paid on Debt	(67,458)
Proceeds from the Sale of Capital Assets	202,000
Payments on Advances from College of Central Florida	(100,000)

Net Cash Used in Financing Activities

(398,336)

Net Increase (Decrease) in Cash and Cash Equivalents

1,948,359

Cash and Cash Equivalents, Beginning of Year

5,085,611

Cash and Cash Equivalents, End of Year

7,033,970

Shown on the Statement of Net Position as:

Cash and Cash Equivalents	5,877,891
Cash and Cash Equivalents - Endowment	1,156,079

Total Cash and Cash Equivalents

7,033,970

Reconciliation of Operating Income to Net Cash

Used in (Provided by) Operating Activities

Operating Income	\$ (9,226,059)
Adjustments to Reconcile Operating Income to Net Cash	
Used in (Provided by) Operating Activities:	
Depreciation and Amortization	148,439
Transfer of Assets to College	2,872,872
Donation of Stock	(232,079)
Net Realized and Unrealized Loss on Investments	8,074,063
Private Endowment Contributions	459,080
Decrease (Increase) in:	
Charitable Remainder Trusts	82,284
Pledges Receivable	4,600
Prepaid Expenses and Other Current Assets	(548)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	15,915
Scholarships Payable	144,044
Escrow - Housing Deposits	13,608
Unearned Revenue	(20,623)
Gift Annuity Payable	11,099
Total Adjustments	<u>11,572,754</u>

Net Cash Used in (Provided by) Operating Activities

\$ 2,346,695

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 2018 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, 2018
(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, 2018
(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, 2018
(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.

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

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

Changes in assets recognized pursuant to irrevocable split-interest agreements, such as those resulting from interest, dividends, and changes in fair value, are recognized as an increase or decrease in the related deferred inflow of resources. The amount recognized as the liability representing the lead interest assigned to other beneficiaries, have been recorded based on the settlement amount as measured by an evaluation technique that incorporates assumptions reflecting the specific provisions of the agreements. Those assumptions include: (a) the payment provisions of the agreement; (b) the estimated rate of return of the assets; (c) the 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, 2018
(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 \$995 is payable monthly on the 1st of each month. A new annual lease agreement started October 15, 2018, 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 \$1,035 is payable on the 1st of each month. The lease expires on December 31, 2018.
- 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 Roberts Real Estate, Inc., since January 2018 to manage the property. The property's daily operations are handled through the management office at College Square.
- 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 Corporate College occupy the first floor, along with several other small business ventures.

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

<u>Year Ending</u> <u>December 31</u>	<u>Rental Income</u>
2019	\$ 243,417
2020	154,160
2021	158,014
2022	161,868
2023	165,722

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.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

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	6.56	AA	\$ 853,188	1
High Yield Bonds	5.35	Unrated	409,640	1
Equities	N/A	N/A	2,290,272	1
Global Real Estate	N/A	N/A	128,272	1
Commodities	N/A	N/A	232,190	1
Cash and Cash Equivalents	N/A	N/A	<u>262,382</u>	N/A
Total			<u>4,175,944</u>	
Arthur Appleton Endowment:				
Government/Corporate				
Bond	6.56	AA	2,839,319	1
High Yield Bonds	5.35	Unrated	1,363,233	1
Equities	N/A	N/A	7,621,566	1
Global Real Estate	N/A	N/A	426,431	1
Commodities	N/A	N/A	772,670	1
Cash and Cash Equivalents	N/A	N/A	<u>873,676</u>	N/A
Total			<u>13,896,895</u>	
<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	5.14	AA	\$ 6,990,137	1
Noninvestment Grade Fixed				
Income	5.74	B	2,803,771	1
Investment Bonds	8.95	BBB	1,773,271	1
US Equity Funds	N/A	N/A	15,151,901	1
Equities	N/A	N/A	13,748,506	1
Balance Funds	N/A	N/A	2,820,421	1
Hedge Funds	N/A	N/A	5,714,982	2
Cash and Cash Equivalents	N/A	N/A	<u>20,022</u>	N/A
Total			<u>49,023,011</u>	
Total Endowed Investment (Including Cash)			<u>\$ 67,095,850</u>	

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

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	4.45	AA	\$ 1,260,183	1
Noninvestment Grade Fixed Income	5.74	B	145,938	1
Investment Bonds	8.95	BBB	114,688	1
Cash and Cash Equivalents	N/A	N/A	<u>5,877,892</u>	N/A
Total			<u>7,398,701</u>	
Total All Cash and Investments			<u>\$ 74,494,551</u>	

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

Cash and Cash Equivalents	\$ 5,877,892
Cash and Cash Equivalents - Endowment	1,156,079
Investments	67,165,683
Investments - Gift Annuity	<u>294,897</u>
Total	<u>\$ 74,494,551</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.

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.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

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

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, 2018, cash and cash equivalents, including cash and cash equivalents held in endowment, were held by depositories and the bank balances amounted to \$7,033,971 of which \$5,368,926 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, 2018, there were no concentrations of credit risk.

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

Note 4 - Charitable Gift and Remainder Annuity Trusts

As of December 31, 2018, 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).

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

Note 4 - Charitable Gift and Remainder Annuity Trusts (Concluded)

As of December 31, 2018, 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, 2018, 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, 2018).

Note 5 - Capital Assets

A summary of Appleton Museum and all other property and equipment of the Foundation is as follows at December 31, 2018:

	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	15,934	-	109,237
Total Capital Assets Being Depreciated	3,077,633	15,934	-	3,093,567
Less Accumulated Depreciation:				
Student Housing Buildings and Improvements	(1,831,237)	(71,207)	-	(1,902,444)
Rental Houses	(55,613)	(2,598)	-	(58,211)
Total Accumulated Depreciation	(1,886,850)	(73,805)	-	(1,960,655)
Total Capital Assets Being Depreciated, Net	1,190,783	(57,871)	-	1,132,912
Total Student Housing and Rental Houses, Net	\$ 1,650,423	\$ (57,871)	\$ -	\$ 1,592,552

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

Note 5 - Capital Assets (Concluded)

	Beginning Balance	Increases	Decreases	Ending Balance
Other Capital Assets				
Capital Assets Not Being Depreciated:				
Appleton Collection and Artwork	\$ 16,985,565	\$ 245,525	\$ -	\$ 17,231,090
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	202,019.00	-	(202,019)	-
Land - Vintage Farm	1,348,000	-	(1,348,000)	-
Total Capital Assets Not Being Depreciated	18,905,435	245,525	(1,550,019)	17,600,941
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	-	(1,602,000)	3,025,922
Less Accumulated Depreciation:				
Buildings - Enterprise Center	(1,035,957)	(74,634)	-	(1,110,591)
Buildings - Vintage Farms	(77,145)	-	77,145	-
Equipment - Enterprise Center	(38,539)	-	-	(38,539)
Office Equipment	(1,250)	-	-	(1,250)
Total Accumulated Depreciation	(1,152,891)	(74,634)	77,145	(1,150,380)
Total Capital Assets Being Depreciated, Net	3,475,031	(74,634)	(1,524,855)	1,875,542
Other Capital Assets, Net	22,380,466	170,891	(3,074,874)	19,476,483
Total Capital Assets - at Cost	27,070,630	261,459	(3,152,019)	24,180,070
Total Accumulated Depreciation	(3,039,741)	(148,439)	77,145	(3,111,035)
Total Capital Assets, Net	\$ 24,030,889	\$ 113,020	\$ (3,074,874)	\$ 21,069,035

Total depreciation expense for the year ended December 31, 2018, was \$148,439.

The total value of the artwork and collections at The Appleton Museum of Art exceeds the \$17,231,090 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.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

Note 6 - Net Position

Net position consists of the following at December 31, 2018:

Operating Account

Unrestricted:

Designated Reserve for Scholarships	\$ 1,240,992	
Designated Reserve for Chairs	279,822	
Designated Reserve for Insurance	32,000	
Undesignated	1,922,634	
Net investment in Capital Assets	<u>345,851</u>	
Total Unrestricted Operating Account		<u>\$ 3,821,299</u>

Restricted:

Restricted for Annual and Major Gifts Campaign	1,720,309	
Restricted for Other Uses	<u>1,466,095</u>	
Total Restricted Operating Account		<u>3,186,404</u>

Total Operating Account		<u><u>7,007,703</u></u>
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Endowment Account

Nonexpendable:

Total Endowed for Scholarships	21,380,096	
Total Endowed for Appleton Museum	18,085,166	
Total Endowed Chairs	12,454,977	
Total Promise for the Future Endowment	3,667,123	
Total Endowed for Other Purposes	<u>77,322</u>	
Total Nonexpendable		<u>55,664,684</u>

Board Designated:

Board Designated Scholarships	5,320,917	
Board Designated Chairs	<u>5,217,671</u>	
Total Board Designated		<u>10,538,588</u>

Total Endowment Account		<u><u>66,203,272</u></u>
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General Plant Account:

Invested in Capital Assets	<u>17,249,941</u>	
Total General Plant Account		<u>17,249,941</u>

Student Housing Account

Invested in Capital Assets	1,592,552	
Unrestricted	<u>(6,815)</u>	
Total Student Housing Account		<u>1,585,737</u>

Enterprise Center Account

Invested in Capital Assets	1,054,838	
Unrestricted	<u>108,159</u>	
Total Enterprise Center Account		<u>1,162,997</u>

Total Net Position		<u><u>\$ 93,209,650</u></u>
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COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(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, 2018:

From Endowment Accounts	\$ 983,133
From Restricted Accounts	85,899
From Unrestricted Accounts	<u>129,480</u>
Total	<u>\$ 1,198,512</u>

Note 8 - Academic Program Support

The Foundation expended a total of \$1,030,035 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>729,849</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, 2018, based on a memorandum of understanding. Actual expenses of \$636,249 exceeded the payments of \$189,109 made by the Foundation, of which \$447,140 is included as support from College of Central Florida and personnel expenses in the statement of revenues, expenses, and changes in net position.

Note 10 - Long-term Liabilities

The Foundation's long-term liabilities include advances, bonds payable, and gift annuities. The following is a schedule of changes in the Foundation's noncurrent liabilities for the fiscal year ended December 31, 2018:

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

Note 10 - Long-term Liabilities (Continued)

	<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	\$ 780,343	\$ -	\$ 100,000	\$ 680,343	\$ 100,000
Enterprise Center Revenue					
Bonds	975,000	-	154,998	820,002	165,000
Gift Annuity	127,629	-	5,322	122,307	16,421
Total Noncurrent Liabilities	<u>\$ 1,882,972</u>	<u>\$ -</u>	<u>\$ 260,320</u>	<u>\$ 1,622,652</u>	<u>\$ 281,421</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 2018, the Foundation imputed interest on the balance outstanding at the rate of 4.25%.

Following is a debt service schedule of these advances for the year ended December 31, 2018:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 100,000	\$ -	\$ 100,000
2020	100,000	-	100,000
2021	100,000	-	100,000
2022	100,000	-	100,000
2023	100,000	-	100,000
2024	180,343	-	180,343
Total Debt Service	<u>\$ 680,343</u>	<u>\$ -</u>	<u>\$ 680,343</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, 2018
(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, 2018:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	100,002	1,239	101,241
Total Debt Service	<u>\$ 820,002</u>	<u>\$ 83,195</u>	<u>\$ 903,197</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, 2018, was \$200,670.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 206,691
2020	212,891
2021	219,278
2022	225,857
2023	232,632
2024	239,611
Total	<u>\$ 1,336,960</u>

Note 12 - Insurance Policies

The Foundation is the owner of three life insurance policies that have cash surrender values totaling \$32,225.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(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, 2017, Gross	\$ 20,000
Additions	20,527
Payments Received	(25,088)
Current-year Write-offs	(439)
Pledges Receivable, December 31, 2018, Gross	15,000
Allowance for Uncollectible Pledges	(1,200)
Pledges Receivable, December 31, 2018	<u>\$ 13,800</u>

Note 15 - Annual Fund and Major Gifts Campaign

Shown in the financial statements as:

Current	\$ 3,800
Noncurrent	10,000
Total	<u>\$ 13,800</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.

SUPPLEMENTARY INFORMATION

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2018

	Enterprise Fund						
	Operating		Endowment	General Plant	Student Housing	Enterprise Center	Total
	Unrestricted Account	Restricted Account					
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 2,398,487	\$ 2,626,308	\$ -	\$ -	\$ 746,200	\$ 106,896	\$ 5,877,891
Pledges Receivable, Current Portion, Net	-	3,800	-	-	-	-	3,800
Prepaid Expenses and Other Current Assets	15,487	-	42,565	-	250	4,302	62,604
Total Current Assets	2,413,974	2,630,108	42,565	-	746,450	111,198	5,944,295
Capital Assets, Net							
Capital Assets Not Being Depreciated	345,851	-	-	17,255,090	459,640	-	18,060,581
Capital Assets Being Depreciated, Net	-	-	-	701	1,132,913	1,874,840	3,008,454
Total Capital Assets, Net	345,851	-	-	17,255,791	1,592,553	1,874,840	21,069,035
Noncurrent Assets							
Cash and Cash Equivalents- Endowment	-	-	1,156,079	-	-	-	1,156,079
Investments	1,520,809	-	65,644,874	-	-	-	67,165,683
Investments - Gift Annuity	-	-	294,897	-	-	-	294,897
Charitable Remainder Trusts	-	-	188,942	-	-	-	188,942
Cash Surrender Value of Life Insurance	-	-	32,225	-	-	-	32,225
Interfund Advances	(361,546)	572,420	(205,024)	(5,850)	-	-	-
Pledges Receivable, Noncurrent Portion, Net	-	10,000	-	-	-	-	10,000
Total Noncurrent Assets	1,159,263	582,420	67,111,993	(5,850)	-	-	68,847,826
Total Assets	\$ 3,919,088	\$ 3,212,528	\$ 67,154,558	\$ 17,249,941	\$ 2,339,003	\$ 1,986,038	\$ 95,861,156

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2018
(Concluded)

	Enterprise Fund						
	Operating		Endowment Account	General Plant Account	Student Housing Account	Enterprise Center Account	Total
	Unrestricted Account	Restricted Account					
LIABILITIES							
Current Liabilities							
Accounts Payable and Accrued Expenses	\$ 78,812	\$ -	\$ 59,931	\$ -	\$ 1,645	\$ 73	\$ 140,461
Scholarships Payable	-	26,124	407,039	-	-	-	433,163
Interest Payable on Bonds	-	-	-	-	-	2,966	2,966
Escrow - Housing Deposits	-	-	-	-	71,278	-	71,278
Unearned Revenue	18,977	-	-	-	-	-	18,977
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	-	-	-	-	-	165,000	165,000
Total Current Liabilities	97,789	26,124	483,391	-	172,923	168,039	948,266
Long-term Liabilities							
Long-term Portion of Advances from College of Central Florida	-	-	-	-	580,343	-	580,343
Gift Annuity Payable	-	-	105,886	-	-	-	105,886
Bonds Payable, Less Current Portion	-	-	-	-	-	655,002	655,002
Total Long-term Liabilities	-	-	105,886	-	580,343	655,002	1,341,231
Total Liabilities	\$ 97,789	\$ 26,124	\$ 589,277	\$ -	\$ 753,266	\$ 823,041	\$ 2,289,497
Deferred Inflows of Resources							
Split Interest Agreements	\$ -	\$ -	\$ 188,942	\$ -	\$ -	\$ -	\$ 188,942
Gift Annuity	-	-	173,067	-	-	-	173,067
Total Deferred Inflows of Resources	\$ -	\$ -	\$ 362,009	\$ -	\$ -	\$ -	\$ 362,009
NET POSITION							
Net Position							
Net Investment in Capital Assets	\$ 345,851	\$ -	\$ -	\$ 17,249,941	\$ 1,592,552	\$ 1,054,838	\$ 20,243,182
Restricted:							
Nonexpendable	-	-	55,664,684	-	-	-	55,664,684
Expendable	-	3,186,404	-	-	-	-	3,186,404
Unrestricted:							
Undesignated	1,922,634	-	-	-	(6,815)	108,159	2,023,978
Board Designated	1,552,814	-	10,538,588	-	-	-	12,091,402
Total Net Position	\$ 3,821,299	\$ 3,186,404	\$ 66,203,272	\$ 17,249,941	\$ 1,585,737	\$ 1,162,997	\$ 93,209,650

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, 2018

	Enterprise Fund						
	Operating			General	Student	Enterprise	
	Unrestricted	Restricted	Endowment	Plant	Housing	Center	
	Account	Account	Account	Account	Account	Account	Total
Operating Revenue							
Private Contributions	\$ 78,368	\$ 1,563,449	\$ -	\$ 239,675	\$ -	\$ -	\$ 1,881,492
Change in Pledges Receivable	-	201	-	-	-	-	201
Rental Income and Fees	11,800	-	-	-	896,474	250,104	1,158,378
Investment Income	28,329	(5,840)	(3,568,939)	-	-	-	(3,546,450)
Special Events	57,947	1,325	-	-	-	-	59,272
Support from College of Central Florida	485,140	-	-	-	28,915	-	514,055
Total Operating Revenue	661,584	1,559,135	(3,568,939)	239,675	925,389	250,104	66,948
Operating Expenses							
Program Services:							
Donor Relations	134,044	337	-	-	-	-	134,381
Institutional Support	2,942,669	519,521	1,788,130	-	-	-	5,250,320
Scholarships	-	85,899	983,133	-	129,480	-	1,198,512
Academic Program Support	-	-	1,030,035	-	-	-	1,030,035
Special Events	22,028	-	-	-	-	-	22,028
Student Housing	-	-	-	-	603,290	-	603,290
Enterprise Center	-	-	-	-	-	284,067	284,067
Total Program Services	3,098,741	605,757	3,801,298	-	732,770	284,067	8,522,633
Supporting Services							
General Administration	769,036	356	982	-	-	-	770,374
Total Support Services	769,036	356	982	-	-	-	770,374
Total Operating Expenses	3,867,777	606,113	3,802,280	-	732,770	284,067	9,293,007
Operating Income (Loss)	\$ (3,206,193)	\$ 953,022	\$ (7,371,219)	\$ 239,675	\$ 192,619	\$ (33,963)	\$ (9,226,059)

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, 2018
(Concluded)

	Enterprise Fund						Total
	Operating		Endowment	General	Student	Enterprise	
	Unrestricted	Restricted					
	Account	Account	Account	Account	Account	Account	
Nonoperating Revenue (Expense)							
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ (28,915)	\$ (37,983)	\$ (66,898)
Total Nonoperating Revenue (Expense)	-	-	-	-	(28,915)	(37,983)	(66,898)
Change in Net Position Before Endowment							
Contributions and Transfers	(3,206,193)	953,022	(7,371,219)	239,675	163,704	(71,946)	(9,292,957)
Endowment Contributions and Transfers							
Private Endowment Contributions	-	-	459,080	-	-	-	459,080
Interfund Transfers	3,583,297	159,838	(158,701)	(2,869,705)	-	122,691	837,420
Endowment Reinvestment Fees	-	-	(837,420)	-	-	-	(837,420)
Total Endowment Contributions and Transfers	3,583,297	159,838	(537,041)	(2,869,705)	-	122,691	459,080
Change in Net Position	377,104	1,112,860	(7,908,260)	(2,630,030)	163,704	50,745	(8,833,877)
Net Position, Beginning of Year	3,444,195	2,073,544	74,111,532	19,879,971	1,422,033	1,112,252	102,043,527
Net Position, End of Year	\$ 3,821,299	\$ 3,186,404	\$ 66,203,272	\$ 17,249,941	\$ 1,585,737	\$ 1,162,997	\$ 93,209,650

**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, 2018, 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 19, 2019.

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

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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.

Purvis, Gray and Company, LLP

June 19, 2019
Ocala, Florida