

2019

College of Central Florida Foundation, Inc.

A Component Unit of the College of Central Florida

Financial Statements

For Fiscal Year Ended December 31, 2019

COLLEGE OF CENTRAL FLORIDA
FOUNDATION, INC.
OCALA, FLORIDA
A COMPONENT UNIT OF THE
COLLEGE OF CENTRAL FLORIDA
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S 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, 2019, 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.

Auditor's 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 auditor's 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.

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INDEPENDENT AUDITOR'S REPORT

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, 2019, 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.

Emphasis of a Matter

As more fully described in Note 15 to the financial statements as a subsequent event, the Foundation may be operationally and financially impacted by the outbreak of the novel coronavirus (COVID-19) pandemic.

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.

Board of Directors
College of Central Florida Foundation, Inc.

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2020, 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.

A handwritten signature in blue ink that reads "Purvis Gray". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

May 11, 2020
Ocala, Florida

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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, 2019 and 2018. 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 2019	December 2018
Current Assets	\$ 5,970,599	\$ 5,944,296
Capital Assets, Net	21,105,473	21,069,034
Non-Current Assets	78,292,169	68,847,826
Total Assets	<u>105,368,241</u>	<u>95,861,156</u>
Current Liabilities	1,014,429	948,266
Non-Current Liabilities	1,060,987	1,341,231
Total Liabilities	<u>2,075,416</u>	<u>2,289,497</u>
Deferred Inflows of Resources		
Split Interest Agreements	230,458	188,942
Gift Annuity	198,578	173,067
Total Deferred Inflows of Resources	<u>429,036</u>	<u>362,009</u>
Net Position:		
Net Investment in Capital Assets	20,450,471	20,243,182
Restricted	65,936,276	58,851,088
Unrestricted	16,477,042	14,115,380
Net Position at End of Year	<u>\$ 102,863,789</u>	<u>\$ 93,209,650</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

In comparing 2019 activity to 2018 activity, we note the following:

Total assets increased by 9.9%, or \$9.5 million. Current assets increased by \$26,306, and capital assets increased by \$36,439. Non-current assets, including the Foundation's investment accounts as a result of improved market performance, increased by \$9.4 million during 2019 as a result of strong investment earnings on endowments due to favorable market conditions. This increase offset the losses that had negatively affected the endowment balances during fourth quarter of 2018.

There was a net decrease in total liabilities of \$214,081, with an increase in current liabilities of \$66,163, due primarily to the timing of the 2019 fall scholarship invoice issued by the College. Non-current liabilities decreased by 20.9% or \$280,244, attributable primarily to a \$165,000 reduction in bonds payable for the Enterprise Center, along with a \$100,000 reduction in non-current 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 increased by \$67,027 to reflect the increase in market value of charitable remainder trusts and gift annuities during 2019. Total net position increased by \$9,654,139.

CHANGES IN NET POSITION

	December 2019	December 2018
Revenue:		
Operating - Contributions	\$ 1,113,987	\$ 1,881,492
Operating - Change in Pledges Receivable	(15,774)	201
Operating - Investment Income	12,167,517	(3,546,450)
Operating - Other	1,318,503	1,217,650
Operating - Support from College of Central Florida	447,519	514,055
Endowment Additions	834,410	459,080
Total Revenue	<u>15,866,162</u>	<u>526,028</u>
Expenses		
Operating - Program	5,270,787	8,522,633
Operating - Support	846,351	770,374
Non-Operating Expenses	94,885	66,898
Total Expenses	<u>6,212,023</u>	<u>9,359,905</u>
Change in Net Positions	9,654,139	(8,833,877)
Net Position at Beginning of Year	<u>93,209,650</u>	<u>102,043,527</u>
Net Position at End of Year	<u>\$ 102,863,789</u>	<u>\$ 93,209,650</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

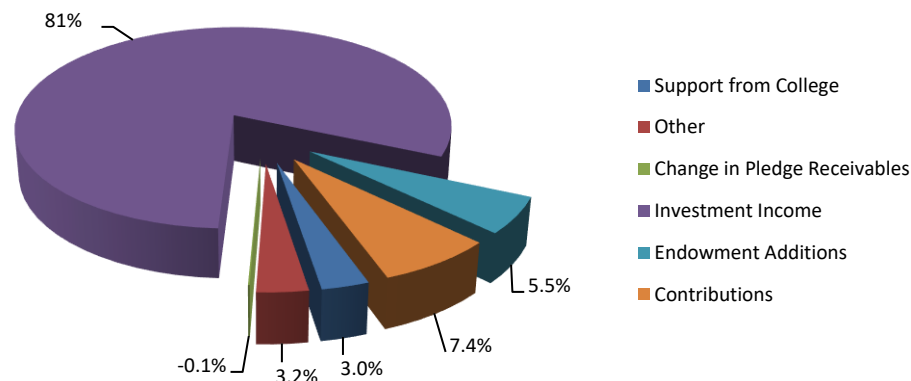
Significant differences between 2019 and 2018 revenues and expenses are discussed below:

REVENUES

Operating Revenue – Overall Operating Revenue increased by \$15 million, with investment income increasing by 443.1%, or \$15.7 million, due to favorable market conditions in 2019. This increase was offset by a 40.8% decrease in private contributions due to the receipt of several estate gifts during 2018. Also contributing to the decrease was the fact that the College did not receive funding from the state budget allocation, which is the requirement by the Marion Hospital District's current gift agreement to receive a distribution of funds. There was also a 12.9% decrease in support received by the College as the Foundation agreed to take on more of the financial burden of employee salaries.

Endowment Additions Revenue – Permanently restricted contributions to the endowment fund experienced an 81.8% increase due to the receipt of a large estate gift during 2019.

2019 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, 2019

EXPENSES

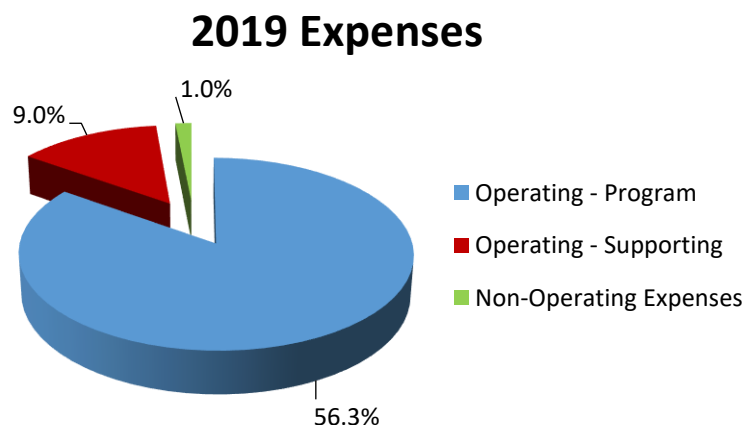
Operating – Program Expenses include scholarships, academic program and institutional support, as well as distributions for temporarily restricted purposes. Also included in this category are expenses associated with donor relations, special events, student housing, and the Enterprise Center. A majority 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 2019, the Foundation provided \$1,229,240 in scholarship support, \$972,942 in academic program support, and \$2,038,189 in institutional support. Overall, 2019 program expenses decreased 38.2% due primarily to the lowering of the spend rate for endowments as a result of poor market performance in the fourth quarter of 2018. 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 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's Board of Directors (the Board) approved an endowment-spending rate of 3.0% for endowed scholarship and chair awards during the 2019-20 academic year.

Operating – Supporting Expenses are comprised of general and administrative expenses including personnel costs, insurance, utilities, and maintenance. In 2019, supporting expenses totaled \$846,351, an increase of 9.9%, or \$75,977 over 2018 expenses. The Foundation agreed to take on more of the financial burden of employee salaries, which makes up the majority of the supporting expense variation.

Non-Operating Expenses, which consists of interest expense and realized losses on sale of donated property, totaled \$94,884 for 2019 compared to \$66,897 in 2018, an increase of 41.8%. This amount includes 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.



COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. – OCALA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

NET POSITION

As a result of the foregoing activity, net position increased 10.4% or \$9,654,851, to \$102,864,502. Included in unrestricted net position are board-designated reserve accounts that have been established as follows:

Scholarship Reserve	\$ 1,352,828
Endowed Chair/Grant Reserve	332,789
Insurance Reserve	<u>32,000</u>
Total Reserves	<u>\$ 1,717,617</u>

DEBT ADMINISTRATION

	<u>December 2019</u>	<u>December 2018</u>
Long-Term Debt:		
Bonds Payable	\$ 655,002	\$ 820,002
Advances from the College	<u>580,343</u>	<u>680,343</u>
Total	<u>\$ 1,235,345</u>	<u>\$ 1,500,345</u>

OTHER

In 2011, 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. Since inception with the current investment firm, the core endowment has earned 9.14% overall, with core property earning 9.68% and alternatives 3.15%. The Foundation’s total portfolio 3-year annualized return is 9.18%.

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 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, 2019

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 5,804,974
Pledge Receivable, Current Portion, Net	38,200
Prepaid Expenses and Other Current Assets	127,425
Total Current Assets	<u>5,970,599</u>
Capital Assets, Net	
Capital Assets Not Being Depreciated	18,039,858
Capital Assets Being Depreciated, Net	3,065,615
Total Capital Assets, Net	<u>21,105,473</u>
Non-Current Assets	
Cash and Cash Equivalents - Endowment	1,041,648
Investments	76,534,913
Investments - Gift Annuity	315,144
Charitable Remainder Trusts	230,458
Cash Surrender Value of Life Insurance	37,309
Pledge Receivable, Non-Current Portion, Net	132,697
Total Non-Current Assets	<u>78,292,169</u>
Total Assets	<u>105,368,241</u>

LIABILITIES

Current Liabilities	
Accounts Payable and Accrued Expenses	208,970
Scholarship Payable	410,912
Escrow - Housing Deposits	48,705
Unearned Revenue	54,419
Current Portion of Advances from College of Central Florida	100,000
Current Portion of Gift Annuity Payable	16,421
Current Portion of Bonds Payable	175,002
Total Current Liabilities	<u>1,014,429</u>
Long-Term Liabilities	
Long-Term Portion of Advances from College of Central Florida	480,343
Long-Term Portion of Gift Annuity Payable	100,644
Long-Term Portion of Bonds Payable	480,000
Total Long-Term Liabilities	<u>1,060,987</u>
Total Liabilities	<u>2,075,416</u>
Deferred Inflows of Resources	
Charitable Remainder Trusts	230,458
Gift Annuity	198,578
Total Deferred Inflows of Resources	<u>429,036</u>

NET POSITION

Net Position	
Net Investment in Capital Assets	20,450,471
Restricted:	
Non-Expendable	63,000,188
Expendable	2,936,088
Unrestricted:	
Undesignated	2,529,381
Board Designated	13,947,661
Total Net Position	<u>\$ 102,863,789</u>

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, 2019

Operating Revenues	
Private Contributions	\$ 1,113,987
Net Change in Pledges Receivable	(15,774)
Rental Income and Fees	1,255,146
Investment Income	12,167,517
Special Events	63,357
Support from College of Central Florida	447,519
Total Operating Revenues	<u>15,031,752</u>
Operating Expenses	
Program Services:	
Donor Relations	130,781
Institutional Support	2,038,189
Scholarships	1,229,240
Academic Program Support	972,942
Special Events	22,066
Student Housing	588,535
Enterprise Center	289,034
Total Program Services	<u>5,270,787</u>
Supporting Services:	
General Administration	846,351
Total Supporting Services	<u>846,351</u>
Total Operating Expenses	<u>6,117,138</u>
Operating Income	<u>8,914,614</u>
Non-Operating Revenue (Expense)	
Interest Expense	(56,349)
Loss on Disposal of Property	(38,536)
Total Non-Operating Revenue	<u>(94,885)</u>
Change in Net Position Before Endowment Contributions	8,819,729
Private Endowment Contributions	<u>834,410</u>
Change in Net Position	9,654,139
Net Position, Beginning of Year	<u>93,209,650</u>
Net Position, End of Year	<u><u>\$ 102,863,789</u></u>

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities

Cash Received from Donors	\$ 2,268,931
Cash Received from Rental Tenants	1,255,146
Cash Paid to College of Central Florida, Vendors, and Suppliers	(5,978,419)
Cash Received for Investments and Dividends	3,681,945
Cash Received from Sale of Investments	19,709,521
Cash Paid for Purchases of Investments	(20,551,482)

Net Cash Used in Operating Activities

385,642

Cash Flows from Capital and Related Financing Activities

Acquisition and Construction of Capital Assets	(260,898)
Bond Payments	(165,000)
Annuity Payments	(16,421)
Interest Paid on Debt	(59,315)
Proceeds from the Sale of Capital Assets	28,644
Payments on Advances from College of Central Florida	(100,000)

Net Cash Used in Financing Activities

(572,990)

Net Increase (Decrease) in Cash and Cash Equivalents

(187,348)

Cash and Cash Equivalents, Beginning of Year

7,033,970

Cash and Cash Equivalents, End of Year

6,846,622

Shown on the Statement of Net Position as:

Cash and Cash Equivalents	5,804,974
Cash and Cash Equivalents - Endowment	1,041,648

Total Cash and Cash Equivalents

6,846,622

Reconciliation of Operating Income to Net Cash

Used in (Provided by) Operating Activities

Operating Income	8,914,614
Adjustments to Reconcile Operating Income to Net Cash	
Used in (Provided by) Operating Activities:	
Depreciation and Amortization	157,280
Donation of Stock	(224,900)
Net Realized and Unrealized Loss on Investments	(9,102,634)
Private Endowment Contributions	834,410
Decrease (Increase) in:	
Charitable Remainder Trusts	(41,516)
Pledges Receivable	(157,097)
Prepaid Expenses and Other Current Assets	(64,821)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	68,509
Scholarships Payable	(22,251)
Escrow - Housing Deposits	(22,573)
Unearned Revenue	35,442
Gift Annuity Payable	11,179
Total Adjustments	<u>(8,528,972)</u>

Net Cash Used in (Provided by) Operating Activities

\$ 385,642

See accompanying notes.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 GAAP 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 non-expendable 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. From January 1 to June 30, 2019, a reinvestment fee of 1.6% was charged on active endowments, the fee increased to 1.85% from July through the remainder of the year.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 should also 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.

Non-Expendable Restricted Net Position—Consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of 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, 2019

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.

Non-Operating 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 non-expendable 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 non-current 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 non-exchange 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
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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.

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New Accounting Pronouncement—In fiscal year 2019, the Foundation implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*. The primary objective of this Statement is to improve the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements.

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, 2020.
- College Square, a 48-unit student residence that houses 192 students, charges monthly rent of between \$300 and \$495, 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 second floor. 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>
2020	\$ 242,458
2021	227,858
2022	233,415
2023	238,973
2024	159,742

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

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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:

Measurement Endowment Investment	Maturities (Years)	Credit Rating	Fair Value	Fair Value Level
Edith Marie Appleton Endowment:				
Government/Corporate Bond	7.09	AA	\$ 740,153	1
High Yield Bonds	3.86	BB	420,264	1
Equities	N/A	N/A	2,798,728	1
Global Real Estate	N/A	N/A	281,186	1
Commodities	4.0	N/A	189,042	1
Cash and Cash Equivalents	N/A	N/A	<u>240,141</u>	N/A
Total			<u>4,669,514</u>	
Arthur Appleton Endowment:				
Government/Corporate Bonds	7.09	AA	2,467,510	1
High Yield Bonds	3.86	BB	1,401,017	1
Equities	N/A	N/A	9,329,824	1
Global Real Estate	N/A	N/A	936,475	1
Commodities	4.0	N/A	630,230	1
Cash and Cash Equivalents	N/A	N/A	<u>801,491</u>	N/A
Total			<u>15,566,547</u>	
Other Endowment Investments:				
Investment Grade Fixed Income	5.08	AA	8,524,074	1
Non-Investment Grade Fixed Income	4.01	B	3,086,077	1
Investment Bonds	0.04	BB	1,977,028	1
US Equity Funds	N/A	N/A	17,118,193	1
Equities	N/A	N/A	16,095,504	1
Balance Funds	N/A	N/A	2,896,778	1
Hedge Funds	N/A	N/A	6,272,361	2
Cash and Cash Equivalents	N/A	N/A	<u>16</u>	N/A
Total			<u>55,970,031</u>	
Total Endowment Investment (Including Cash)			<u>\$ 76,206,092</u>	

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
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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:

Measurement Non-Endowment Investment	Maturities (Years)	Credit Rating	Fair Value	Fair Value Level
Other Investments:				
Investment Grade Fixed Income	4.21	AA	\$ 1,381,443	1
Non-Investment Grade Fixed Income	4.01	B	167,338	1
Investment Bonds	10.04	BB	136,832	1
Cash and Cash Equivalents	N/A	N/A	<u>5,804,974</u>	N/A
Total			<u>7,490,587</u>	
Total All Cash and Investments			<u>\$ 83,696,679</u>	

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

Cash and Cash Equivalents	\$ 5,804,974
Cash and Cash Equivalents - Endowment	1,041,648
Investments	76,534,913
Investments - Gift Annuity	<u>315,144</u>
Total	<u>\$ 83,696,679</u>

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

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.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
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Custodial Credit Risk—For deposits at December 31, 2019, cash and cash equivalents, including cash and cash equivalents held in endowment, were held by depositories, and the bank balances amounted to \$6,848,195. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. There are funds that are not FDIC insured, this primarily includes funds held as investments by the Foundation.

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 are 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, 2019, 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, 2019, 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, 2019, 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, 2019, 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, 2019).

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
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Note 5 - Capital Assets

A summary of Appleton Museum and all other property and equipment of the Foundation is as follows at December 31, 2019:

	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	215,142	-	3,199,472
Rental Houses	109,237	-	-	109,237
Total Capital Assets Being Depreciated	3,093,567	215,142	-	3,308,709
Less Accumulated Depreciation:				
Student Housing Buildings and Improvements	(1,902,444)	(79,248)	-	(1,981,692)
Rental Houses	(58,211)	(3,395)	-	(61,606)
Total Accumulated Depreciation	(1,960,655)	(82,643)	-	(2,043,298)
Total Capital Assets Being Depreciated, Net	1,132,912	132,499	-	1,265,411
Total Student Housing and Rental Houses, Net	\$ 1,592,552	\$ 132,499	\$ -	\$ 1,725,051
	Beginning Balance	Increases	Decreases	Ending Balance
Other Capital Assets				
Capital Assets Not Being Depreciated:				
Appleton Collection and Artwork	\$ 17,231,090	\$ 24,276	\$ (67,200)	\$ 17,188,166
Other Donated Collections and Artwork	24,701	21,500	-	46,201
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
Total Capital Assets Not Being Depreciated	17,601,642	45,776	(67,200)	17,580,218
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
Total Capital Assets Being Depreciated	3,025,221	-	-	3,025,221
Less Accumulated Depreciation:				
Buildings - Enterprise Center	(1,110,591)	(74,637)	-	(1,185,228)
Buildings - Vintage Farms	-	-	-	-
Equipment - Enterprise Center	(38,539)	-	-	(38,539)
Office Equipment	(1,250)	-	-	(1,250)
Total Accumulated Depreciation	(1,150,380)	(74,637)	-	(1,225,017)
Total Capital Assets Being Depreciated, Net	1,874,841	(74,637)	-	1,800,204
Other Capital Assets, Net	19,476,483	(28,861)	(67,200)	19,380,422
Total Capital Assets - at Cost	24,180,070	260,918	(67,200)	24,373,788
Total Accumulated Depreciation	(3,111,035)	(157,280)	-	(3,268,315)
Total Capital Assets, Net	\$ 21,069,035	\$ 103,638	\$ (67,200)	\$ 21,105,473

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Total depreciation expense for the year ended December 31, 2019, was \$157,280.

The total value of the artwork and collections at The Appleton Museum of Art exceeds the \$17,188,166, 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.

Note 6 - Net Position

Net position consists of the following at December 31, 2019:

Operating Account

Unrestricted:

Designated Revenue for Scholarships	\$ 1,352,828
Designated Revenue for Chairs	332,789
Designated Revenue for Insurance	32,000
Undesignated	2,371,950
Net Investment in Capital Assets	<u>345,851</u>

Total Unrestricted Operating Account		\$ <u>4,435,418</u>
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Restricted:

Restricted for Annual and Major Gifts Campaign	1,711,731
Restricted for Other Uses	<u>1,224,357</u>

Total Restricted Operating Account		<u>2,936,088</u>
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Total Operating Account		<u><u>7,371,506</u></u>
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Endowment Account

Non-Expendable:

Total Endowed for Scholarships	24,425,096
Total Endowed for Appleton Museum	20,246,068
Total Endowed for Chairs	14,204,923
Total Promise for Future Endowment	3,895,680
Total Endowed for Other Purposes	<u>228,421</u>

Total Non-Expendable		<u>63,000,188</u>
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Board Designated:

Board Designated Scholarships	6,426,697
Board Designated Chairs	<u>5,803,347</u>

Total Board Designated		<u>12,230,044</u>
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Total Endowment Account		<u><u>75,230,232</u></u>
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General Plant Account:

Invested in Capital Assets	<u>17,234,367</u>
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Total General Plant Account		<u>17,234,367</u>
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Student Housing Account:

Invested in Capital Assets	1,725,051
Unrestricted	<u>80,694</u>

Total Student Housing Account		<u>1,805,745</u>
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Enterprise Center Account:

Invested in Capital Assets	1,145,202
Unrestricted	<u>76,737</u>

Total Enterprise Center Account		<u>1,221,939</u>
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Total Net Position		\$ <u><u>102,863,789</u></u>
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COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019:

From Endowment Accounts	\$ 998,106
From Restricted Accounts	94,764
From Unrestricted Accounts	<u>136,370</u>
Total	<u>\$ 1,229,240</u>

Note 8 - Academic Program Support

The Foundation expended a total of \$972,942 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>672,950</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, 2019, based on a memorandum of understanding. Actual expenses of \$644,426 exceeded the payments of \$255,803 made by the Foundation, of which \$388,624 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 non-current liabilities for the fiscal year ended December 31, 2019:

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Business-Type Activities					
Long-Term Advances from The					
College Direct Placement	\$ 680,343	\$ -	\$ 100,000	\$ 580,343	\$ 100,000
Enterprise Center Revenue Bonds					
Direct Borrowings	820,002	-	165,000	655,002	175,002
Gift Annuity	<u>122,307</u>	<u>-</u>	<u>5,242</u>	<u>117,065</u>	<u>16,421</u>
Total Non-Current Liabilities	<u>\$ 1,622,652</u>	<u>\$ -</u>	<u>\$ 270,242</u>	<u>\$ 1,352,410</u>	<u>\$ 291,423</u>

Advances from College of Central Florida, Direct Placement—During December 2003, the Foundation agreed to legally obligate itself to the College in the form of an uncollateralized, non-interest 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 2019, the Foundation imputed interest on the balance outstanding at the rate of 4.75%.

Following is a debt service schedule of these advances for the year ended December 31, 2019:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 100,000	\$ -	\$ 100,000
2021	100,000	-	100,000
2022	100,000	-	100,000
2023	100,000	-	100,000
2024	<u>180,343</u>	<u>-</u>	<u>180,343</u>
Total Debt Service	<u>\$ 580,343</u>	<u>\$ -</u>	<u>\$ 580,343</u>

Enterprise Center Revenue Bonds, Direct Borrowing—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 the College. The bonds were refinanced in 2010 for \$1,800,000.

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

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Following is a debt service schedule of the bonds to maturity based on the rate in effect for the year ended December 31, 2019:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 175,002	\$ 24,526	\$ 199,528
2021	184,998	16,878	201,876
2022	195,000	8,805	203,805
2023	<u>100,002</u>	<u>1,239</u>	<u>101,241</u>
Total Debt Service	\$ 655,002	\$ 51,448	\$ 706,450

Note 11 - Operating Lease

The Foundation leases utility and maintenance services from the College. Utility and maintenance expense under the lease agreement for the year ended December 31, 2019, was \$206,691.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 212,891
2021	219,278
2022	225,857
2023	232,632
2024	<u>239,611</u>
Total	\$ 1,130,269

Note 12 - Insurance Policies

The Foundation is the owner of three life insurance policies that have cash surrender values totaling \$37,309.

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
Liability

Property Damage
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.

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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, 2018, Gross	\$ 15,000
Additions	209,051
Payments Received	(13,877)
Current-Year Write-Offs	<u>(174)</u>
Pledges Receivable, December 31, 2019, Gross	210,000
Allowance for Uncollectible Pledges	(16,800)
Discount to Net Present Value	<u>(22,303)</u>
Pledges Receivable, December 31, 2019	<u><u>\$ 170,897</u></u>

Shown in the financial statements as:

Current	\$ 38,200
Non-Current	<u>132,697</u>
Total	<u><u>\$ 170,897</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 15 - Subsequent Event

The COVID-19 pandemic has created economic disruptions throughout the country as of the issuance date of our report resulting in significant declines in the financial markets and economic activity overall. The Foundation expects to experience losses due to the declines in investment values. The ultimate effects of these items are expected to be significant but are not quantifiable at this time.

SUPPLEMENTARY INFORMATION

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2019

	Enterprise Fund						
	Operating		Endowment	General Plant	Student Housing	Enterprise Center	Total
	Unrestricted Account	Restricted Account					
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 2,207,296	\$ 2,829,498	\$ -	\$ -	\$ 694,823	\$ 73,357	\$ 5,804,974
Pledges Receivable, Current Portion, Net	-	38,200	-	-	-	-	38,200
Prepaid Expenses and Other Current Assets	51,521	-	45,847	-	26,652	3,405	127,425
Total Current Assets	<u>2,258,817</u>	<u>2,867,698</u>	<u>45,847</u>	<u>-</u>	<u>721,475</u>	<u>76,762</u>	<u>5,970,599</u>
Capital Assets, Net							
Capital Assets Not Being Depreciated	345,851	-	-	17,234,367	459,640	-	18,039,858
Capital Assets Being Depreciated, Net	-	-	-	-	1,265,411	1,800,204	3,065,615
Total Capital Assets, Net	<u>345,851</u>	<u>-</u>	<u>-</u>	<u>17,234,367</u>	<u>1,725,051</u>	<u>1,800,204</u>	<u>21,105,473</u>
Non-Current Assets							
Cash and Cash Equivalents - Endowment	-	-	1,041,648	-	-	-	1,041,648
Investments	1,685,613	-	74,849,300	-	-	-	76,534,913
Investments - Gift Annuity	-	-	315,144	-	-	-	315,144
Charitable Remainder Trusts	-	-	230,458	-	-	-	230,458
Cash Surrender Value of Life Insurance	-	-	37,309	-	-	-	37,309
Inter-Fund Advances	314,129	(21,273)	(292,856)	-	-	-	-
Pledges Receivable, Non-Current Portion, Net	-	132,697	-	-	-	-	132,697
Total Non-Current Assets	<u>1,999,742</u>	<u>111,424</u>	<u>76,181,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,292,169</u>
Total Assets	<u>\$ 4,604,410</u>	<u>\$ 2,979,122</u>	<u>\$ 76,226,850</u>	<u>\$ 17,234,367</u>	<u>\$ 2,446,526</u>	<u>\$ 1,876,966</u>	<u>\$ 105,368,241</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC. - OCALA, FLORIDA
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2019

	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	\$ 114,573	\$ 20,908	\$ 61,731	\$ -	\$ 11,733	\$ 25	\$ 208,970
Scholarships Payable	-	22,126	388,786	-	-	-	410,912
Interest Payable on Bonds	-	-	-	-	-	-	-
Escrow - Housing Deposits	-	-	-	-	48,705	-	48,705
Unearned Revenue	54,419	-	-	-	-	-	54,419
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	-	-	-	-	-	175,002	175,002
Total Current Liabilities	168,992	43,034	466,938	-	160,438	175,027	1,014,429
Long-Term Liabilities							
Long-Term Portion of Advances from College of Central Florida	-	-	-	-	480,343	-	480,343
Gift Annuity Payable	-	-	100,644	-	-	-	100,644
Bonds Payable, Less Current Portion	-	-	-	-	-	480,000	480,000
Total Long-Term Liabilities	-	-	100,644	-	480,343	480,000	1,060,987
Total Liabilities	\$ 168,992	\$ 43,034	\$ 567,582	\$ -	\$ 640,781	\$ 655,027	\$ 2,075,416
Deferred Inflows of Resources							
Charitable Remainder Trusts	\$ -	\$ -	\$ 230,458	\$ -	\$ -	\$ -	\$ 230,458
Gift Annuity	-	-	198,578	-	-	-	198,578
Total Deferred Inflows of Resources	\$ -	\$ -	\$ 429,036	\$ -	\$ -	\$ -	\$ 429,036
NET POSITION							
Net Position							
Net Investment in Capital Assets	\$ 345,851	\$ -	\$ -	\$ 17,234,367	\$ 1,725,051	\$ 1,145,202	\$ 20,450,471
Restricted:							
Non-Expendable	-	-	63,000,188	-	-	-	63,000,188
Expendable	-	2,936,088	-	-	-	-	2,936,088
Unrestricted:							
Undesignated	2,371,950	-	-	-	80,694	76,737	2,529,381
Board Designated	1,717,617	-	12,230,044	-	-	-	13,947,661
Total Net Position	\$ 4,435,418	\$ 2,936,088	\$ 75,230,232	\$ 17,234,367	\$ 1,805,745	\$ 1,221,939	\$ 102,863,789

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, 2019

	Enterprise Fund						
	Operating		Endowment Account	General Plant Account	Student Housing Account	Enterprise Center Account	Total
	Unrestricted Account	Restricted Account					
Operating Revenue							
Private Contributions	\$ 527,299	\$ 564,688	\$ 500	\$ 21,500	\$ -	\$ -	\$ 1,113,987
Change in Pledges Receivable	-	(15,774)	-	-	-	-	(15,774)
Rental Income and Fees	11,800	-	-	-	939,277	304,069	1,255,146
Investment Income	146,406	6,058	12,006,961	-	8,092	-	12,167,517
Special Events	62,272	1,085	-	-	-	-	63,357
Support from College of Central Florida	419,953	-	-	-	27,566	-	447,519
Total Operating Revenue	1,167,730	556,057	12,007,461	21,500	974,935	304,069	15,031,752
Operating Expenses							
Program Services:							
Donor Relations	129,794	987	-	-	-	-	130,781
Institutional Support	344,691	558,728	1,134,770	-	-	-	2,038,189
Scholarships	-	94,764	998,106	-	136,370	-	1,229,240
Academic Program Support	-	-	972,942	-	-	-	972,942
Special Events	22,066	-	-	-	-	-	22,066
Student Housing	-	-	-	-	588,535	-	588,535
Enterprise Center	-	-	-	-	-	289,034	289,034
Total Program Services	496,551	654,479	3,105,818	-	724,905	289,034	5,270,787
Supporting Services							
General Administration	842,038	709	1,148	-	2,456	-	846,351
Total Support Services	842,038	709	1,148	-	2,456	-	846,351
Total Operating Expenses	1,338,589	655,188	3,106,966	-	727,361	289,034	6,117,138
Operating Income (Loss)	\$ (170,859)	\$ (99,131)	\$ 8,900,495	\$ 21,500	\$ 247,574	\$ 15,035	\$ 8,914,614

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, 2019

	Enterprise Fund						Total
	Operating		Endowment	General	Student	Enterprise	
	Unrestricted	Restricted					
	Account	Account	Account	Account	Account	Account	
Non-Operating Revenue (Expense)							
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ (27,566)	\$ (28,783)	\$ (56,349)
Loss on Disposal of Property	-	(38,536)	-	-	-	-	(38,536)
Total Non-Operating Revenue (Expense)	-	(38,536)	-	-	(27,566)	(28,783)	(94,885)
Change in Net Position Before Endowment							
Contributions and Transfers	(170,859)	(137,667)	8,900,495	21,500	220,008	(13,748)	8,819,729
Endowment Contributions and Transfers							
Private Endowment Contributions	-	-	834,410	-	-	-	834,410
Inter-Fund Transfers	784,978	(112,649)	179,452	(37,074)	-	72,690	887,397
Endowment Reinvestment Fees	-	-	(887,397)	-	-	-	(887,397)
Total Endowment Contributions and Transfers	784,978	(112,649)	126,465	(37,074)	-	72,690	834,410
Change in Net Position	614,119	(250,316)	9,026,960	(15,574)	220,008	58,942	9,654,139
Net Position, Beginning of Year	3,821,299	3,186,404	66,203,272	17,249,941	1,585,737	1,162,997	93,209,650
Net Position, End of Year	\$ 4,435,418	\$ 2,936,088	\$ 75,230,232	\$ 17,234,367	\$ 1,805,745	\$ 1,221,939	\$ 102,863,789

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

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

Board of Directors
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, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated May 11, 2020.

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.

CERTIFIED PUBLIC ACCOUNTANTS

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An Independent Member of the BDO Alliance USA.*

Board of Directors
College of Central Florida Foundation, Inc.

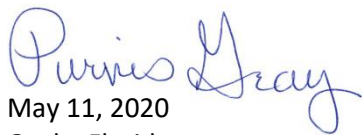
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Compliance and Other Matters

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

Purpose of this Report

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


May 11, 2020
Ocala, Florida