

2020

St. Johns River State College Foundation, Inc.

Financial Statements

and Independent Auditor's Report

March 31, 2020

ST. JOHNS RIVER STATE COLLEGE
FOUNDATION, INC.
PALATKA, FLORIDA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
St. Johns River State College Foundation, Inc.
Palatka, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the St. Johns River State College Foundation, Inc. (the Foundation), a component unit of St. Johns River State College, which comprise the statement of net position as of March 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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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Board of Directors
St. Johns River State College Foundation, Inc.
Palatka, Florida

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 March 31, 2020, 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 Matter

As described in Note 13 to the financial statements, the Foundation may be operationally and financially impacted by the outbreak of the novel coronavirus (COVID-19) pandemic.

Other Matters

Report on Summarized Comparative Information

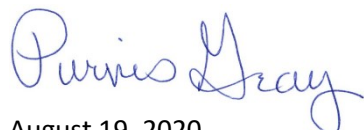
We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



August 19, 2020
Gainesville, Florida

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2020

The following is management's discussion and analysis of the financial activities of the St. Johns River State College Foundation, Inc. (the Foundation) for the fiscal year ended March 31, 2020. The objective of this discussion and analysis is to focus on current activities, resulting changes, and currently known facts to provide an overall summary of the accompanying the financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

Basic Financial Statements

The Foundation is a special-purpose government, engaged only in business-type activities. Therefore, it presents only the financial statements required for enterprise funds, which consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

Condensed Comparative Data

The following presents condensed data about net position and change in net position for fiscal years ended March 31, 2020, and March 31, 2019:

	<u>2020</u>	<u>2019</u>
Net Position		
Assets:		
Non-Capital Assets, Current	\$ 2,868,360	\$ 3,282,318
Non-Capital Assets, Non-Current	3,222,937	2,910,769
Total Assets	<u>6,091,297</u>	<u>6,193,087</u>
Liabilities:		
Current Liabilities	10,600	10,600
Non-Current Liabilities	92,128	90,565
Total Liabilities	<u>102,728</u>	<u>101,165</u>
Deferred Inflows of Resources	<u>106,323</u>	<u>115,165</u>
Net Position:		
Restricted	4,492,810	4,568,778
Unrestricted	1,252,950	1,407,572
Total Net Position	<u><u>5,745,760</u></u>	<u><u>5,976,350</u></u>
Change in Net Position		
Operating Revenues:		
Contributions	<u>499,063</u>	<u>574,003</u>
Operating Expenses:		
Scholarships	359,625	376,607
General Program Expenses	174,651	147,948
Other Expenses	75,425	74,797
Total Operating Expenses	<u>609,701</u>	<u>599,352</u>
Operating Loss	(110,638)	(25,349)
Non-Operating Revenue (Loss)	<u>(346,439)</u>	<u>356,696</u>
Income Before Changes in Non-Expendable	(457,077)	331,347
Endowment Contributions	<u>226,487</u>	<u>81,285</u>
Change in Net Position	(230,590)	412,632
Beginning Net Position	5,976,350	5,563,718
Ending Net Position	<u><u>\$ 5,745,760</u></u>	<u><u>\$ 5,976,350</u></u>

**ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2020**

Overall Financial Analysis

The following are financial highlights for the fiscal year 2020:

1. The Foundation's assets totaled \$6,091,297 at March 31, 2020, representing approximately a 1.6% decrease (\$101,790) from the previous fiscal year-end. The decrease can be attributed to losses on investments.
2. The Foundation's endowment contributions totaled \$226,487, representing a 178.6% increase.
3. The Dr. Philip Benjamin Matching Act was suspended in May 2007 by the Florida Legislature and donor contributions received after February 1, 2007, have not been matched.

Economy Factors

The coronavirus pandemic caused financial markets and the global economy to change dramatically in the last weeks of our fiscal year. We believe the measures required to curtail the spread of the virus have and will continue to have economic effects. In response to the current environment, our investment team remains flexible and ready to reduce risk exposure.

Request for Information

The financial report is designed to provide a general overview of the Foundation's finances. Questions concerning any of the information in this report or requests for additional information should be addressed to the St. Johns River State College Foundation, Inc. 5001 St. Johns Avenue, Palatka, Florida 32177 or call (386) 312-4100.

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
STATEMENT OF NET POSITION
MARCH 31, 2020,
WITH COMPARATIVE TOTALS FOR MARCH 31, 2019

	2020	2019
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 1,663,562	\$ 1,125,510
Investments	1,204,798	2,156,808
Total Current Assets	2,868,360	3,282,318
Non-Current Assets:		
Temporary Restricted Investments	113,001	111,281
Endowed Investments	3,013,886	2,694,032
Irrevocable Trust Receivable	96,050	105,456
Total Assets	6,091,297	6,193,087
Liabilities		
Current Liabilities:		
Due to St. Johns River State College	136,486	-
Annuity Payable	10,600	10,600
Non-Current Liabilities:		
Annuity Payable	92,128	90,565
Total Liabilities	239,214	101,165
Deferred Inflows of Resources		
Irrevocable Trust	96,050	105,456
Charitable Annuity	10,273	10,116
Total Deferred Inflows of Resources	106,323	115,572
Net Position		
Unrestricted	1,252,950	1,407,572
Restricted:		
Expendable	1,478,924	1,874,746
Non-Expendable	3,013,886	2,694,032
Total Net Position	\$ 5,745,760	\$ 5,976,350

See accompanying notes.

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2020,
WITH COMPARATIVE TOTALS FOR MARCH 31, 2019

	2020			2019	
	Unrestricted	Restricted		Total Fund	Total Fund
		Expendable	Non-Expendable		
Operating Revenues					
Contributions	\$ 24,636	\$ 474,427	\$ -	\$ 499,063	\$ 574,003
Operating Expenses					
Program Services:					
Scholarships	-	359,625	-	359,625	376,607
Management and General	45,821	-	-	45,821	43,088
Other College Support	-	128,830	-	128,830	104,860
Total Program Services	45,821	488,455	-	534,276	524,555
Fund-Raising	10,915	44,320	-	55,235	56,197
Supporting Services:					
Professional Fees	15,150	5,040	-	20,190	18,600
Total Operating Expenses	71,886	537,815	-	609,701	599,352
Operating (Loss) Income	(47,250)	(63,388)	-	(110,638)	(25,349)
Non-Operating Revenue					
Interest and Dividends	87,065	96,646	8,543	192,254	119,870
Unrealized (Loss)/Gain on Fair Value Change of Investments	(205,002)	(394,975)	49,447	(550,530)	159,782
(Loss)/Gain on Sale of Investments	10,565	14,567	(975)	24,157	81,746
Change in Value of Annuity	-	(12,320)	-	(12,320)	(4,702)
Total Non-Operating Revenue	(107,372)	(296,082)	57,015	(346,439)	356,696
Change in Net Position before Endowment Contributions and Transfers	(154,622)	(359,470)	57,015	(457,077)	331,347
Endowment Contributions	-	-	226,487	226,487	81,285
Interfund Transfers	-	(36,352)	36,352	-	-
Change in Net Position	(154,622)	(395,822)	319,854	(230,590)	412,632
Net Position, Beginning of Year	1,407,572	1,874,746	2,694,032	5,976,350	5,563,718
Net Position, End of Year	\$ 1,252,950	\$ 1,478,924	\$ 3,013,886	\$ 5,745,760	\$ 5,976,350

See accompanying notes.

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020,
WITH COMPARATIVE TOTALS FOR MARCH 31, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash Received from Contributions and Support	\$ 474,063	\$ 574,003
Payments for Scholarships	(223,139)	(376,607)
Payments for General Student Expenses	(75,425)	(74,797)
Payments for Other Expenses	(174,651)	(147,948)
Net Cash Provided by Operating Activities	<u>848</u>	<u>(25,349)</u>
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	893,006	400,401
Purchases of Investments	(742,280)	(483,544)
Interest and Dividends	134,991	109,270
Net Cash Provided by Investing Activities	<u>285,717</u>	<u>26,127</u>
Cash Flows from Non-Capital Financing Activities:		
Endowment Contributions	251,487	81,285
Net Cash Provided by Non-Capital Financing Activities	<u>251,487</u>	<u>81,285</u>
Net Increase in Cash and Cash Equivalents	538,052	82,063
Cash and Cash Equivalents, Beginning of Year	<u>1,125,510</u>	<u>1,043,447</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,663,562</u>	<u>\$ 1,125,510</u>
<u>Reconciliation of Operating Loss to Net Cash</u>		
<u> Provided by (Used in) Operating Activities</u>		
Operating Loss	\$ (110,638)	\$ (25,349)
Change in Net Position:		
Due to St. Johns River State College	136,486	-
Net Cash (Used in) Operating Activities	<u>\$ 25,848</u>	<u>\$ (25,349)</u>
<u>Schedule of Non-Cash Operating Activities</u>		
Change in Fair Value of Investments	<u>\$ (550,530)</u>	<u>\$ 159,782</u>

See accompanying notes.

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The St. Johns River State College Foundation, Inc. (the Foundation) was formed in 1970 as a non-profit organization. The Foundation's sole purpose is the support of the St. Johns River State College (the College) and its students. The primary goal of the Foundation is to further develop its scholarship program and to fund activities that promote the College. The Foundation is a direct support organization under Section 1004.70, Florida Statutes, and for financial reporting purposes is considered a component unit of the College.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles.

For financial reporting purposes, the Foundation is considered a special-purpose governmental entity engaged only in business-type activities. Accordingly, the financial activity of the Foundation is accounted for in a single business-type fund which, to observe restrictions placed on the use of resources, is further grouped into sub-accounts as follows:

- **Unrestricted**—represents resources available for operations without restriction.
- **Restricted, Expendable**—represents resources available only for scholarships or other eligible student-related purposes.
- **Restricted, Non-Expendable**—represents contributions received, in which the principal amount is restricted in perpetuity by the donor, with income available only for scholarships or other eligible student-related purposes.

All restrictions are externally imposed, thus no net position is restricted by enabling legislation. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues of the Foundation are classified as *operating*, for primary activities such as donor contributions and state matching funds, or *non-operating*, for ancillary activities such as investment earnings.

Measurement Focus and Basis of Accounting

The Foundation utilizes the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are reported at fair value, except for money market investments, which are reported at cost.

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Donor-Restricted Endowments

Investment income, including unrealized appreciation and depreciation, is allocated to the restricted expendable 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.

In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund reduce restricted expendable net position to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss reduces unrestricted net position.

If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net position.

After the fair value of the assets of the endowment fund equals the required level, gains that are restricted by the donor are classified as increases in restricted expendable net position or restricted non-expendable net position, depending on the donor's restrictions.

Contribution Receivable

Unconditional promises to give that are expected to be collected within one year and in future years are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are substantially met.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period.

Income Tax

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make various estimates. Actual results could differ from those estimates.

Reclassification

Certain expendable and non-expendable items on the statement of net position for the fiscal year 2019 have been reclassified to conform to the fiscal year 2020 presentation.

Note 2 - Deposits and Investments

The Foundation's deposits and investments are summarized below:

Cash and Cash Equivalents	\$ 1,663,562
Investments	1,204,798
Temporarily Restricted Investments	113,001
Endowed Investments	<u>3,013,886</u>
Total Deposits and Investments	<u>\$ 5,995,247</u>

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

For the purpose of risk disclosures, deposits and investments are comprised of the following:

Deposits with Financial Institutions	\$ 1,162,700
Investments	<u>4,832,547</u>
Total Deposits and Investments	<u><u>\$ 5,995,247</u></u>

Deposits with financial institutions are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal Depository Insurance Corporation (FDIC), up to specified limits, or collateralized with securities pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with Chapter 280, Florida Statutes.

Investments held as of March 31, 2020, are as follows:

	Fair Value	Maturity in Years			N/A	Average Credit Quality Ratings
		Less than 1	1 to 5	6 to 10		
Special Purpose Investment Account (SPIA)	\$ 500,862	\$ 500,862	*	-	-	AA-F
U.S. Government Obligations	100,732	100,732	-	-	-	AAA
Bonds and Notes	649,948	149,398	500,550	-	-	AAA to A-
Equities	2,794,627	-	-	-	2,794,627	N/A
Exchange Traded Funds:						
Fixed Income	244,625	-	13,614	231,011	-	A
Equities	55,542	-	-	-	55,542	A+ to A
Mutual Funds:						
Fixed Income	200,603	-	143,330	57,273	-	AAA to A-
Real Estate	<u>285,608</u>	-	-	-	<u>285,608</u>	Not Rated
	<u>4,832,547</u>	<u>\$ 750,992</u>	<u>\$ 657,494</u>	<u>\$ 288,284</u>	<u>\$ 3,135,777</u>	
Less Cash Equivalents:						
SPIA	<u>(500,862)</u>					
Total Investments	<u><u>\$ 4,331,685</u></u>					

* The SPIA uses the effective duration method, which is 0.96 years at March 31, 2020.

The Foundation may be exposed to the following risks associated with its investment portfolio:

Credit Risk—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation’s investment policy requires that debt securities be rated “Baa” or “BBB” or better by Moody’s or Standard & Poor’s rating services, respectively. The Foundation’s investment policy also sets allowable ranges for allocation of assets as follows: domestic equity (mutual funds) (5-70%); international equity (10-20%); intermediate and long-term bonds (10-20%); real estate (0-10%); and cash equivalents (2-10%). Charitable gift annuity investments are limited to no more than 50% equities (including mutual funds) and no more than 10% may be invested in any one stock or fund.

Interest Rate Risk—The risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation investment policies include asset allocation guidelines and investment management structure to ensure adequate diversification to reduce the volatility of investment returns.

Custodial Credit Risk—The risk that in the event of failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. None of the Foundation’s investments are subject to custodial credit risk.

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Concentration of Credit Risk—The risk that any one issuer, representing a concentration greater than 5% of total investments, may not fulfill its obligations. None of the Foundation’s investments exceeded this concentration level.

The Foundation invests in the Special Purpose Investment Account of the State of Florida Treasury Investment Pool, an external investment pool. The SPIA is not registered with the SEC. Regulatory oversight for the pool is provided by the State of Florida Division of Treasury. The fair value of the position in the pool is equal to the value of the pool shares.

Note 3 - Fair Value Measurement

The Foundation categorizes its fair value measurements with the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation has the following recurring fair value measurements as of March 31, 2020:

- Special purpose investment account - Total fair value of the pool is determined from individual values of securities in the pool. The Foundation’s fair value factor is a ratio of the total pool.
- Equities - Valued using quoted market prices.
- Exchange traded funds - Valued using quoted market prices.
- Mutual funds - Valued at the daily closing price as reported by the fund.
- Irrevocable trust receivable - Valued using Income approach, present value technique.

The following table summarizes the Foundation’s assets for which fair values are determined on a recurring basis:

	<u>Fair Value</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments				
U.S. Government Obligations	\$ 100,732	\$ 100,732	\$ -	\$ -
Bonds and Notes	649,948	649,948	-	-
Equities	2,794,627	2,794,627	-	-
Exchange Traded Funds	300,167	300,167	-	-
Mutual Funds	486,211	486,211	-	-
Total Investments				
Measured at Fair Value	<u>\$ 4,331,685</u>	<u>\$ 4,331,685</u>	<u>\$ -</u>	<u>\$ -</u>
Irrevocable Trust Receivable	<u>\$ 96,050</u>	<u>\$ -</u>	<u>\$ 96,050</u>	<u>\$ -</u>

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 4 - Receivables

The Foundation is one of the residual beneficiaries of an irrevocable trust established in fiscal year 2013. Trust funds are held and invested by a third party trustee, with earnings used for the surviving spouse, as long as she lives and remains unmarried. It is estimated that the principal of the trust will grow at 5% per year. The present value of the estimated distribution of the trust is reported as an irrevocable trust receivable.

Note 5 - Charitable Annuity

The Foundation is a lead interest beneficiary of an irrevocable agreement created in July 2016, in the total amount of \$200,000. The Foundation agrees to pay the donors annual annuity payments of \$10,600. The Foundation's obligation terminates with the annual payment last proceeding with the death of the last surviving donor. The present value of the future obligation is \$102,728. In addition, 10% (\$10,273) has been restricted as a required reserve. The remainder is available for scholarships for degree-seeking, in-state students enrolled at the College, subject to certain criteria.

Changes in annuity payable are summarized below:

	<u>Balance</u> <u>April 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2020</u>	<u>Due Within</u> <u>One Year</u>
Annuity	\$ 101,165	\$ 12,163	\$ (10,600)	\$ 102,728	\$ 10,600

Note 6 - Contributed Facilities, Services, and Property

The Foundation receives free use of certain facilities and certain contributed services from the College. As a matter of accounting practice, the value of such facilities and services is not recorded in the Foundation's financial statements. Contributed property used to further the purposes of the Foundation is recorded at estimated acquisition value at the date of donation.

Note 7 - Restricted Net Position

Restricted, expendable net position of \$1,478,924 as of March 31, 2020, is available for scholarships and other eligible student-related purposes.

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Changes in restricted, non-expendable net position are as follows:

	Balance March 31, 2019	Investment Income (Loss)	Current Year Contributions	Transfer from Restricted Expendable	Transfer from Unrestricted	Balance March 31, 2020
Thrasher-Horne Endowment	\$ 1,752,242	\$ (130,418)	\$ 32,000	\$ -	\$ 185,719	\$ 1,839,543
Paul and Juanita Boyette Endowment	50,000	(24,284)	152,817	23,103	1,181	202,817
Irwin and Elizabeth Zekaria Endowment	125,000	(8,892)	-	8,892	-	125,000
Georgia Pacific Endowment	123,165	(8,761)	-	8,761	-	123,165
Putnam County Scholar Endowment	102,617	(10,246)	20,075	3,879	6,367	122,692
Eva Mae Kelly Endowment	85,446	(7,318)	11,595	7,318	-	97,041
Dan and Katie Martinez Endowment	75,000	(6,428)	10,000	6,428	-	85,000
Athletic Association Endowment	62,000	(4,411)	-	4,411	-	62,000
Bob Hudson Endowment	50,000	(3,557)	-	3,557	-	50,000
Joe and Linda Pickens Endowment	50,000	(3,557)	-	3,557	-	50,000
Olivia Lay Endowment	50,000	(3,557)	-	3,557	-	50,000
Talmadge - Noyes Endowment	41,945	(2,984)	-	2,984	-	41,945
John Tindall Endowment	28,125	(1,999)	-	1,999	-	28,125
Sherertz Endowment	25,000	(1,778)	-	1,778	-	25,000
Lillie Avrett Endowment	25,000	(1,778)	-	1,778	-	25,000
St. Augustine Rotary	25,000	(1,778)	-	1,778	-	25,000
Robert McLendon, Jr. Endowment	-	(1,778)	25,000	553	1,225	25,000
Boots and Philip Endowment	21,529	(1,531)	-	1,531	-	21,529
C. L. Overturf Endowment	13,315	1,714	-	-	-	15,029
	<u>\$ 2,705,384</u>	<u>\$ (223,341)</u>	<u>\$ 251,487</u>	<u>\$ 85,864</u>	<u>\$ 194,492</u>	<u>\$ 3,013,886</u>

Note 8 - Administrative Fees

During fiscal year 2020 administrative fees were waived in response to the COVID-19 pandemic.

Note 9 - Board Appropriations

As summarized below, the Board has appropriated certain amounts of the unrestricted net position for specific purposes. These internal-imposed limitations on net position do not relate to donor stipulations.

Unrestricted Net Position as of March 31, 2020	\$ 1,252,950
Board Appropriations for the Thrasher – Horne Center of the Arts	
Balance Transfer from THCA Membership Account	(50,000)
Balance Transfer from THCA Sponsorships	(36,545)
Accumulated Net Depreciation (Appreciation)	<u>(61,519)</u>
Total Board Appropriations	<u>(148,064)</u>
Unappropriated Unrestricted Net Position	<u>\$ 1,104,886</u>

ST. JOHNS RIVER STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 10 - Revocable Split-Interest Bequest

The Foundation is a beneficiary of a bequest held in trust by the Jacksonville Community Foundation, Inc. who maintains variance power over trust assets. The trust directs that \$300,000 be permanently endowed and administered by the aforementioned third party, with earnings distributed to the Foundation on a periodic basis to provide scholarships annually to one recipient from each of the high schools in Putnam County. As of December 2015, the bequest was fully funded.

Note 11 - Transfers

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Several endowment funds fell below required levels for the year ended March 31, 2020, but were restored to required levels by a temporary transfer from unrestricted funds.

Note 12 - Risk Management

The Foundation is exposed to various risks of loss related to general liability and directors' and officers' liability. The Foundation purchases commercial insurance to manage these risks. There have been no losses in excess of coverage in the last three years.

Note 13 - COVID-19

A national emergency was declared by the President of the United States in response to the COVID-19 pandemic. The economic and social impact of the virus is expected to be significant but is not quantifiable at this time.

ADDITIONAL REPORTS

**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
St. Johns River State College Foundation, Inc.
Palatka, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the St. Johns River State College Foundation, Inc. (the Foundation) as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated August 19, 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 that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described below, that we consider to be material weaknesses.

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An Independent Member of the BDO Alliance USA.

Board of Directors
St. Johns River State College Foundation, Inc.
Palatka, Florida

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
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2020-1

■ **Segregation of Duties**

Condition—One of the basic tenets of sound internal control is the segregation of incompatible duties among employees. The premise is that to minimize control issues, duties should be segregated among employees so that individuals do not perform all of the accounting functions for a single area. We point this out to make the Foundation aware that separation of duties among employees is necessary in reducing the risk of errors and irregularities.

Effect—Lack of proper separation of incompatible duties could result in errors and irregularities that go undetected for extended periods of time.

Recommendation—We recommend that incompatible duties be separated among employees where it is feasible to do so and review procedures are established and adhered to.

Compliance and Other Matters

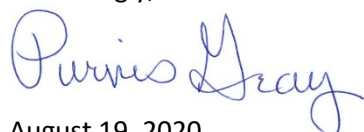
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Foundation's Response to Findings

The Foundation's response to the finding identified in our audit is described in its accompanying letter. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



August 19, 2020
Gainesville, Florida



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August 19, 2020

To Whom It May Concern:

The following is our response to each condition within the 2019-2020 St. Johns River State College Foundation, Inc. audit.

Condition 2020-01: In the matter of segregation of incompatible duties and responsibilities, we have taken steps to segregate as much as practicable considering the limited number of personnel.

Sincerely,

A handwritten signature in black ink, appearing to read "Caroline Tingle".

Caroline Tingle

Vice President for Development and External Affairs

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