

**DAYTONA STATE COLLEGE
FOUNDATION, INC.**

A COMPONENT UNIT OF DAYTONA STATE COLLEGE

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

DAYTONA STATE COLLEGE FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Daytona State College Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Daytona State College Foundation, Inc. (the Foundation), a component unit of Daytona State College (the College), as of and for the years ended December 31, 2020 and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021 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.

James Moore & Co., P.L.

Daytona Beach, Florida
April 28, 2021

DAYTONA STATE COLLEGE FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019

The Management of Daytona State College Foundation, Inc. (the "Foundation") offers the readers of the Foundation's financial statements this narrative overview and analysis of the Foundation's financial activities for the years ending December 31, 2020, 2019, and 2018. Management has prepared the financial statements and the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers and we confirm that, to the best of our knowledge and belief, the financial statements are complete and reliable in all material respects.

FINANCIAL HIGHLIGHTS

The net position section of the Statements of Net Position represents the funds available to meet the Foundation's ongoing purpose to provide financial assistance to students and funding for critical needs that are beyond the scope of Daytona State College's (the "College") budget.

In fiscal year 2020, the net position of the Foundation increased by \$1,585,829 primarily due to realized and unrealized gains on investments. In fiscal year 2019, net position increased by \$6,063,076, representing a 21.7% increase over 2018.

The Foundation's current assets, including restricted by purpose to scholarship or program accounts, were \$5,657,144 in fiscal year 2020, a decrease of 24.9% from fiscal year 2019 and were \$7,534,079 in fiscal year 2019 an increase of 80% from fiscal year 2018.

The Foundation's noncurrent assets increased to \$30,177,755 in fiscal year 2020 from \$26,553,323 in fiscal year 2019 an increase of \$3,624,432. These amounts primarily reflect the investment gain for fiscal year 2020.

Current liabilities have experienced timing swings each year. Fiscal year 2020, at \$240,913, represents an increase of \$161,668 over fiscal year 2019. The increase in current liabilities resulted from not paying the last quarter scholarship payment by the end of the fiscal year.

**DAYTONA STATE COLLEGE FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019**

NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current assets	\$ 5,657,144	\$ 7,534,079	\$ 4,186,862
Noncurrent assets	30,177,755	26,553,323	24,117,791
Total assets	<u>\$ 35,834,899</u>	<u>\$ 34,087,402</u>	<u>\$ 28,304,653</u>
Liabilities:			
Current liabilities	\$ 240,913	\$ 79,245	\$ 359,572
Noncurrent liabilities	-	-	-
Total liabilities	<u>240,913</u>	<u>79,245</u>	<u>359,572</u>
Net position:			
Restricted			
Expendable	17,017,190	17,311,257	13,258,837
Nonexpendable	16,983,203	15,490,463	14,067,440
Unrestricted	<u>1,593,593</u>	<u>1,206,437</u>	<u>618,804</u>
Total net position	<u>35,593,986</u>	<u>34,008,157</u>	<u>27,945,081</u>
Total liabilities and net position	<u>\$ 35,834,899</u>	<u>\$ 34,087,402</u>	<u>\$ 28,304,653</u>

OPERATING REVENUES

The Foundation's expendable contributions from individuals and organizations decreased by \$1,179,996 to \$1,104,407 for the year ending December 31, 2020 and increased by \$739,925 to \$2,284,403 for the year ending December 31, 2019. For the thirteenth year in a row, the Foundation did not receive State matching grants due to a lack of State funding. The Philip Benjamin Matching and Facility Enhancement Challenge Grant Programs continue to exist under legislative rule, but current year funding depends on available State appropriations. The College continues to provide direct operating support to the Foundation composed primarily of salary, benefits, administrative costs, and rental cost for athletic scholarships net of any Foundation reimbursement.

DAYTONA STATE COLLEGE FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019

	Operating Revenues		
	2020	2019	2018
Contributions	\$ 1,104,407	\$ 2,284,403	\$ 1,544,478
Direct operating support	766,403	660,523	497,649
Total	\$ 1,870,810	\$ 2,944,926	\$ 2,042,127

OPERATING EXPENSES

The operating expenses generally associated with the Foundation's basic financial statements consist of student assistance, college programs, community service, fund raising and general operating costs. The primary operating expense for the Foundation is in scholarship and program support to Daytona State College. The Foundation provided \$3,966,731 in College scholarship and program support for the year ending December 31, 2020 with \$942,135 representing scholarship support. For the year ending December 31, 2019, the Foundation provided \$1,806,426 in College scholarship and program support with \$961,105 representing scholarship support. Scholarship support for 2018 was \$1,155,648.

	Operating Expenses		
	2020	2019	2018
Personnel services	\$ 313,003	\$ 325,248	\$ 356,643
Scholarships and program support	3,966,731	1,806,426	1,262,208
Contractual services	52,836	29,198	26,762
Other services and expenses	571,980	408,178	353,580
Materials and supplies	19,174	21,724	13,699
Total	\$ 4,923,724	\$ 2,590,774	\$ 2,012,892

NONOPERATING REVENUES (EXPENSES)

The Foundation experienced an increase in the value of investments during the year with an associated increase in net realized and unrealized losses of \$62,349 during the year ending December 31, 2020.

	Nonoperating Revenues (Expenses)		
	2020	2019	2018
Endowment contributions	\$ 510,448	\$ 1,368,023	\$ 239,141
Net realized and unrealized gains (losses) on investments, net of investment expenses	3,477,060	3,414,711	(1,813,210)
Interest and dividends	643,085	810,485	416,464
Return on equity interest in real property	8,150	115,705	218,260
Total	\$ 4,638,743	\$ 5,708,924	\$ (939,345)

**DAYTONA STATE COLLEGE FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019**

PERFORMANCE HIGHLIGHTS

The Foundation Board approved a 2020 Operating Budget, which allowed for the use of expendable restricted assets to continue the support of Daytona State College programs and provide financial assistance to students. The Foundation Board continually consults with PFM, the current investment firm, to guide the investment activities of the Foundation for the future.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic status of the Foundation heavily relies on the growth of the investment markets, private donations from the local community as well as matching program grants from the State of Florida and other funding sources. The effects of the economy continue to assimilate into the Foundation's decision-making process. The Foundation stands firm in its continued commitment to the College, and the community, utilizing net position balances from prior years to invest in the College's strategic planning initiatives through academic enhancement, student scholarships and program support.

REQUEST FOR INFORMATION

Questions concerning information provided in the Management's Discussion and Analysis, Financial Statements and notes, thereto, or requests for additional financial information should be addressed to Martin Cass, Treasurer, Daytona State College Foundation, Inc., Post Office Box 2811, Daytona Beach, Florida 32120-2811.

DAYTONA STATE COLLEGE FOUNDATION, INC.
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 43,451	\$ 33,656
Investments held by Daytona State College on behalf of the Foundation	108,853	100,876
Restricted cash and cash equivalents	268,631	128,249
Restricted pledges receivable, net	100,000	-
Restricted investments held by Daytona State College on behalf of the Foundation	5,136,209	7,267,977
Due from Daytona State College	-	3,321
Total current assets	5,657,144	7,534,079
Noncurrent assets		
Unrestricted investments	1,441,289	1,070,332
Restricted investments	28,506,616	25,453,141
Restricted pledges receivable, net	200,000	-
Restricted other assets	29,850	29,850
Total noncurrent assets	30,177,755	26,553,323
Total assets	\$ 35,834,899	\$ 34,087,402
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities		
Accounts payable	\$ -	\$ 1,748
Payable from restricted assets:		
Accounts payable	2,756	39,565
Due to Daytona State College	238,157	37,932
Total current liabilities	240,913	79,245
Net position		
Restricted		
Expendable	17,017,190	17,311,257
Nonexpendable endowments	16,983,203	15,490,463
Unrestricted	1,593,593	1,206,437
Total net position	35,593,986	34,008,157
Total liabilities and net position	\$ 35,834,899	\$ 34,087,402

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

DAYTONA STATE COLLEGE FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Revenues		
Operating revenues:		
Contributions	\$ 1,104,407	\$ 2,284,403
Direct operating support - Daytona State College	766,403	660,523
Total operating revenues	1,870,810	2,944,926
Expenses		
Operating expenses:		
Personnel services	313,003	325,248
Scholarships and program support	3,966,731	1,806,426
Contractual services	52,836	29,198
Other services and expenses	571,980	408,178
Materials and supplies	19,174	21,724
Total operating expenses	4,923,724	2,590,774
Operating income (loss)	(3,052,914)	354,152
Nonoperating revenue (expense)		
Endowment contributions	510,448	1,368,023
Net realized and unrealized gains (losses) on investments, net of investment expenses of \$74,869 and \$75,437	3,477,060	3,414,711
Interest and dividends	643,085	810,485
Return on real property investment	8,150	115,705
Total nonoperating revenue (expense)	4,638,743	5,708,924
Change in net position	1,585,829	6,063,076
Net position, beginning of year	34,008,157	27,945,081
Net position, end of year	\$ 35,593,986	\$ 34,008,157

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

DAYTONA STATE COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Receipts from contributions	\$ 804,407	\$ 2,284,403
Payments for scholarships and program support	(3,763,185)	(1,906,578)
Payments to suppliers	(229,147)	(300,190)
Net cash provided by (used in) operating activities	(3,187,925)	77,635
Cash flows from investing activities		
Purchases of investment securities	(1,297,670)	(4,794,281)
Proceeds from sales and maturities of investments, net of service fees	3,474,089	2,356,830
Receipt of interest and dividends	643,085	810,485
Receipts from real property investment	8,150	115,705
Net cash provided by (used in) investing activities	2,827,654	(1,511,261)
Cash flows from noncapital financing activities		
Endowment contributions received for other than capital purposes	510,448	1,368,023
Net increase (decrease) in cash and cash equivalents	150,177	(65,603)
Cash and cash equivalents, beginning of year	161,905	227,508
Cash and cash equivalents, end of year	\$ 312,082	\$ 161,905
Shown on the statement of net position as:		
Cash and cash equivalents	\$ 43,451	\$ 33,656
Restricted cash and cash equivalents	268,631	128,249
	\$ 312,082	\$ 161,905
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (3,052,914)	\$ 354,152
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Decrease (increase) in certain assets		
Pledges receivable, net	(300,000)	-
Prepaid expenses	-	(17,716)
Due from Daytona State College	3,321	21,526
Increase (decrease) in certain liabilities		
Accounts payable	(38,557)	(2,443)
Due to Daytona State College	200,225	(121,678)
Unearned dormitory rent	-	(156,206)
Net cash provided by (used in) operating activities	\$ (3,187,925)	\$ 77,635

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

DAYTONA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:**

(a) **Nature of organization**—Daytona State College Foundation, Inc. (the Foundation) is a direct support organization as provided for in Section 1004.70, Florida Statutes, and is considered a discrete component unit of Daytona State College (the College). The Foundation receives significant financial support from the College in the form of personnel and office space. The Foundation's principal function is to receive, hold, invest, and administer charitable contributions for the College. The Foundation is a not-for-profit corporation as described in Section 501 (c) (3) of the Internal Revenue Code (the IRC) and is exempt from federal and state income taxes pursuant to Section 509 (a) of the IRC.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

For financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Foundation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

(c) **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. The assets, liabilities, and net position of the Foundation are reported in two fund groups as follows:

Restricted - restricted with two fund types as follows:

Expendable - These represent funds that are subject to donor, grantor, or other outside party restrictions on use for the benefit of students or for funding various programs at the College.

Nonexpendable - These represent funds that are the historical corpus contribution of a donor endowment and are subject to donor, grantor, or other outside party restrictions as to use. These funds are carried at historical cost and are not adjusted for investment earnings or losses. Investment earnings, realized and unrealized gains or losses on endowment funds are classified as Expendable.

Unrestricted - one fund type as follows:

Unrestricted - This group represents funds that are available without restriction for the purpose of carrying out Foundation objectives.

(d) **Cash and cash equivalents**—The Foundation considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts and stock brokerage firms which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts due to exceeding the federally insured limits.

DAYTONA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Operating activities**—Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities which are in support of the College’s programs. Operating activities related to the Foundation’s purpose, which is to receive, hold, and invest charitable contributions for the benefit of the College. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(f) **Revenue recognition**—Contributions are recognized as increases in net position when received or when pledged unconditionally, with the exception of pledged endowments which are recognized when received in accordance with generally accepted accounting principles.

(g) **Direct operating support**—The Foundation uses College facilities and services. This includes office space and administrative, accounting, and other institutional support. A large portion of support consists of contributed services and facilities which are estimated and included in these financial statements as direct operating support revenue. The Foundation has no employees. The College assigns employees to Foundation operations and pays their salaries and benefits. Retirement benefits are through the Florida Retirement System and payroll taxes are paid by the College. The Foundation is not expected to reimburse the College for such expenses.

For the years ended December 31, 2020 and 2019, the values of those contributed services that can be reasonably estimated are reflected in these financial statements as follows:

	2020	2019
Salaries and other	\$ 313,003	\$ 325,248
Housing scholarship	453,400	335,275
	\$ 766,403	\$ 660,523

(h) **Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) **Investments and investment income**—The Foundation states certain investments at their fair value if the investment has a readily determinable market value. Investments received as gifts are recorded at their fair market or appraised value as of the date of the gift.

(j) **Capital assets**—The Foundation has a capitalization threshold of \$5,000. Depreciation is provided on a straight line method over a useful life of three years. The Foundation’s capital assets consist of fully depreciated computer software. There was no capital asset activity for 2020 or 2019.

(k) **Net position flow assumption**—Sometimes the Foundation will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Foundation’s policy to consider restricted net position to have been used before unrestricted net position is applied.

DAYTONA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Pledges receivable**—All eligible unconditional pledges that are verifiable, probable and measurable are recorded at their estimated realizable value on a discounted basis. The Foundation determines an allowance based on specific identification. Pledges receivable were \$300,000 and \$0 at December 31, 2020 and December 31, 2019, respectively. Amounts receivable within one year were \$100,000 and \$0 at December 31, 2020 and December 31, 2019, respectively.

(m) **Reclassifications**—Certain amounts in the prior year presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported change in net position.

(2) **Deposits and Investments:**

Investment decisions are made subject to guidelines established by the Foundation's Investment Committee and approved by the Foundation's Board of Directors. All deposits and investments are held at financial and brokerage institutions in the name of the Foundation.

The Foundation's investment and spending policy is set forth in a document approved by Daytona State College Foundation Investment Committee and approved by the Foundation's Board of Directors. The objectives of the policy fundamentally preserve and enhance Foundation resources both at present and in the future, as well as, strive to provide a steady, growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect endowments from inflation.

According to the Investment Policy, endowment target allocations are 19-59% in domestic equities, 1-41% in international equities, 20-60% in fixed-income securities, and 0-20% in other income assets, other growth assets, REIT/inflation hedges, and/or cash and cash equivalents. The Foundation contracts with a qualified investment manager to whom authority is delegated to invest and reinvest assets in accordance with the investment policy.

(a) **Custodial credit risk - deposits**—Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Foundation's deposits may not be returned to it. At December 31, 2020 and 2019, the Foundation's cash deposits with financial and brokerage institutions were \$264,312 and \$132,046, respectively, all of which were insured up to respective FDIC and SIPC limits.

(b) **Interest rate risk**—Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Foundation's policy for managing its exposure for changes in interest rate is through maintaining diversification of its investments and investment maturity dates to minimize the impact of downturns in the market.

(c) **Credit risk**—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

DAYTONA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(2) **Deposits and Investments:** (Continued)

(d) **Concentration risk**—The Foundation’s investment policy discourages more than five percent of the portfolio’s total assets taken at current value be invested in the securities of one issuer, other than the United States of America, its agencies or instrumentalities. The Policy further discourages more than forty percent of the portfolio’s assets to be invested in the securities of the companies in any one industry.

(e) **Fair value measurements**—The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs that reflect the Foundation’s significant market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable. Examples include commingled funds which hold actively traded public securities, but whose valuations are determined only periodically, (typically monthly). Other examples include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, credit risks, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investments primarily comprise alternative investments that do not have a liquid market at the balance sheet date. Inputs used for Level 3 may include the original transaction price, recent transactions in the same or similar market, completed or pending third party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:

Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income Approach: This approach determines a valuation by discounting cash flows.

Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

DAYTONA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(2) **Deposits and Investments:** (Continued)

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value (NAV).

The fair value hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the observability of the valuation inputs.

<u>Deposits and Investments</u>	<u>Average Maturities</u>	<u>Fair Value Level</u>	<u>Average Credit Rating (S&P)</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	N/A	N/A	N/A	\$ 312,082	\$ 161,905
Municipal Bonds	N/A	N/A	N/A	0	0
Mutual Funds – Fixed Income	7.90	2	A	10,666,847	9,014,487
Mutual Funds – Equity	N/A	2	N/A	19,281,058	17,508,986
Total				<u>\$ 30,259,987</u>	<u>\$ 26,685,378</u>

(3) **Related Party Transactions:**

The Foundation is defined as a direct support organization by Florida Statute 1004.70, and as such, the Foundation is organized and operating exclusively to receive, hold, invest, and make expenditures to, or for the benefit of, Daytona State College. During 2020 and 2019, the Foundation provided the College and its students with program and scholarship support in the amount of \$3,966,731 and \$1,806,426, respectively. At December 31, 2020 and 2019, the Foundation had payables to the College of \$238,157 and \$37,932 respectively, primarily representing amounts due for program support. At December 31, 2020 and 2019, the Foundation had receivables from the College of \$0 and \$3,321, respectively.

In addition, the College maintains a Special Purpose Investment Account (SPIA) in the Florida Treasury Investment Pool on behalf of the Foundation. SPIA is an external investment pool and participation in the pool represents ownership of a share of the pool, not the underlying securities. At December 31, 2020 and 2019, the balance of the account was \$5,245,062 and \$7,368,853, respectively, is reported on the Statements of Net Position as Restricted Investments held by Daytona State College on behalf of the Foundation.

The Foundation previously entered into an agreement with the College wherein condominiums were purchased to become dormitories for College student athletes. The College sold all condominium units on October 15, 2019 and, on October 16, 2019 entered into a lease agreement with the buyer of the condominiums that will terminate May 31, 2020. As part of the lease, the College and Foundation executed a “Lease Property Agreement” in which the parties agreed that the Foundation shall at all times retain a 100 percent interest in the lease. Through the Foundation, the College pays a monthly amount of \$29,900 for the 31 units leased. For 2020, the total amount committed is \$358,000 with \$149,500 remaining for 2021. After the termination of this lease agreement on May 31, 2021, and with ninety days prior written notice, the College may continue to lease any or all of the units on a month-to-month basis at the then prevailing market rental rate for the applicable units.

DAYTONA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(4) Restricted Net Position:

At December 31, 2020, the restricted nonexpendable endowments net position of \$16,983,203 consist of endowment funds. Investment earnings earned by endowment funds are available for spending based on the Foundation's spending policy. The spending rate is determined by the Foundation's Board at its annual meeting. The spending rate for the year ending December 31, 2020, was 5.0% to support donor-designated scholarships and programs and administrative fees. Endowment annual spending will be set at maximum range up to 5% of the most recent three-year moving average of the market value of the Fund as of December 31 every year. The Foundation will determine, on an annual basis, the cash flow needs for the following year. The spendable earnings are recorded as increases to the restricted expendable net position.

At December 31, 2020, the restricted expendable net position of \$17,017,190 includes undistributed earnings related to endowment funds, which represents gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. Restricted expendable amounts also include earnings on permanently restricted endowments that have not yet been appropriated for expenditure. All excess earnings and spending appropriations not distributed will remain as part of the endowment fund to hedge against inflation and other threats to loss of purchasing power.

The Foundation follows the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and its own governing documents. FUPMIFA requires the Foundation to prudently manage its funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under FUPMIFA. The majority of the Foundation's donors have placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

(5) Risk Management:

The Foundation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, and errors and omissions. The Foundation is insured through the College, which provides coverage for these risks primarily through the Florida Community College Risk Management Consortium.

(6) Significant Concentrations:

The Foundation receives significant revenues from three sources, private contributions, the College, and net investment return. Contributions from private sources provided 25% and 42% of revenues in 2020 and 2019, respectively. Private contributions vary depending on fundraising campaign focus and effects of the economy. The College's direct operating support in-kind contribution provided 12% and 8% of revenues in 2020 and 2019, respectively. Net investment return used 63% and provided 50% of revenues in 2020 and 2019, respectively

(7) Subsequent Events:

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 28, 2021, the date the financial statements were available to be issued. On February 11, 2021, the Board of the Foundation approved a transfer of \$1.17 million to the Daytona State College Housing Corporation to satisfy the equity requirements of the Corporation's residence hall project.

DAYTONA STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(8) Uncertainties:

During the year ended December 31, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Foundation as of April 28, 2021, management believes that a material impact on the Foundation's financial position and results of future operations is reasonably possible.

(9) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Foundation's financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 will increase the usefulness of the financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of leasing arrangements. The provisions in GASB 87 are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.
- (b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2021.

SUPPLEMENTAL SCHEDULES

DAYTONA STATE COLLEGE FOUNDATION, INC.
SCHEDULE OF NET POSITION
DECEMBER 31, 2020

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Expendable</u>	<u>Nonexpendable Endowments</u>	
Current assets				
Cash and cash equivalents	\$ 43,451	\$ -	\$ -	\$ 43,451
Investments held by Daytona State College on behalf of the Foundation	108,853	-	-	108,853
Restricted cash and cash equivalents	-	183,537	85,094	268,631
Restricted pledges receivable, net	-	100,000	-	100,000
Restricted investments held by Daytona State College on behalf of the Foundation	-	3,171,282	1,964,927	5,136,209
Total current assets	<u>152,304</u>	<u>3,454,819</u>	<u>2,050,021</u>	<u>5,657,144</u>
Noncurrent assets				
Unrestricted investments	1,441,289	-	-	1,441,289
Restricted investments	-	13,573,434	14,933,182	28,506,616
Restricted pledges receivable, net	-	200,000	-	200,000
Restricted other assets	-	29,850	-	29,850
Total noncurrent assets	<u>1,441,289</u>	<u>13,803,284</u>	<u>14,933,182</u>	<u>30,177,755</u>
Total assets	<u>\$ 1,593,593</u>	<u>\$ 17,258,103</u>	<u>\$ 16,983,203</u>	<u>\$ 35,834,899</u>
<u>LIABILITIES AND NET POSITION</u>				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payable from restricted assets:				
Accounts payable	-	2,756	-	2,756
Due to Daytona State College	-	238,157	-	238,157
Total current liabilities	<u>-</u>	<u>240,913</u>	<u>-</u>	<u>240,913</u>
Net position				
Restricted				
Expendable	-	17,017,190	-	17,017,190
Nonexpendable endowments	-	-	16,983,203	16,983,203
Unrestricted	1,593,593	-	-	1,593,593
Total net position	<u>1,593,593</u>	<u>17,017,190</u>	<u>16,983,203</u>	<u>35,593,986</u>
Total liabilities and net position	<u>\$ 1,593,593</u>	<u>\$ 17,258,103</u>	<u>\$ 16,983,203</u>	<u>\$ 35,834,899</u>

See accompanying notes to financial statements.

DAYTONA STATE COLLEGE FOUNDATION, INC.
SCHEDULE OF NET POSITION
DECEMBER 31, 2019

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Expendable</u>	<u>Nonexpendable Endowments</u>	
Current assets				
Cash and cash equivalents	\$ 33,656	\$ -	\$ -	\$ 33,656
Investments held by Daytona State College on behalf of the Foundation	100,876	-	-	100,876
Restricted cash and cash equivalents	-	88,187	40,062	128,249
Restricted investments held by Daytona State College on behalf of the Foundation	-	5,480,150	1,787,827	7,267,977
Due from Daytona State College	3,321	-	-	3,321
Total current assets	<u>137,853</u>	<u>5,568,337</u>	<u>1,827,889</u>	<u>7,534,079</u>
Noncurrent assets				
Unrestricted investments	1,070,332	-	-	1,070,332
Restricted investments	-	11,790,567	13,662,574	25,453,141
Restricted other assets	-	29,850	-	29,850
Total noncurrent assets	<u>1,070,332</u>	<u>11,820,417</u>	<u>13,662,574</u>	<u>26,553,323</u>
Total assets	<u>\$ 1,208,185</u>	<u>\$ 17,388,754</u>	<u>\$ 15,490,463</u>	<u>\$ 34,087,402</u>
<u>LIABILITIES AND NET POSITION</u>				
Current liabilities				
Accounts payable	\$ 1,748	\$ -	\$ -	\$ 1,748
Payable from restricted assets:				
Accounts payable	-	39,565	-	39,565
Unearned dormitory rent	-	-	-	-
Due to Daytona State College	-	37,932	-	37,932
Total current liabilities	<u>1,748</u>	<u>77,497</u>	<u>-</u>	<u>79,245</u>
Net position				
Restricted				
Expendable	-	17,311,257	-	17,311,257
Nonexpendable endowments	-	-	15,490,463	15,490,463
Unrestricted	1,206,437	-	-	1,206,437
Total net position	<u>1,206,437</u>	<u>17,311,257</u>	<u>15,490,463</u>	<u>34,008,157</u>
Total liabilities and net position	<u>\$ 1,208,185</u>	<u>\$ 17,388,754</u>	<u>\$ 15,490,463</u>	<u>\$ 34,087,402</u>

See accompanying notes to financial statements.

DAYTONA STATE COLLEGE FOUNDATION, INC.
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Expendable</u>	<u>Nonexpendable Endowments</u>	
Revenues				
Operating revenues:				
Contributions	\$ 88,765	\$ 1,015,642	\$ -	\$ 1,104,407
Direct operating support - Daytona State College	313,003	453,400	-	766,403
Total operating revenues	<u>401,768</u>	<u>1,469,042</u>	<u>-</u>	<u>1,870,810</u>
Expenses				
Operating expenses:				
Personnel services	313,003	-	-	313,003
Scholarships and program support	68,666	3,898,065	-	3,966,731
Contractual services	52,836	-	-	52,836
Other services and expenses	121,410	450,570	-	571,980
Materials and supplies	1,668	17,506	-	19,174
Total operating expenses	<u>557,583</u>	<u>4,366,141</u>	<u>-</u>	<u>4,923,724</u>
Operating income (loss)	<u>(155,815)</u>	<u>(2,897,099)</u>	<u>-</u>	<u>(3,052,914)</u>
Nonoperating revenues (expenses)				
Endowment contributions	-	-	510,448	510,448
Net realized and unrealized gains (losses) on investments, net of investment expenses of \$74,866	512,917	2,964,143	-	3,477,060
Interest and dividends	159,630	483,455	-	643,085
Return on real property investment	8,150	-	-	8,150
Interfund transfers	(137,726)	(844,566)	982,292	-
Total nonoperating revenues	<u>542,971</u>	<u>2,603,032</u>	<u>1,492,740</u>	<u>4,638,743</u>
Change in net position	<u>387,156</u>	<u>(294,067)</u>	<u>1,492,740</u>	<u>1,585,829</u>
Net position, beginning of year	<u>1,206,437</u>	<u>17,311,257</u>	<u>15,490,463</u>	<u>34,008,157</u>
Net position, end of year	<u>\$ 1,593,593</u>	<u>\$ 17,017,190</u>	<u>\$ 16,983,203</u>	<u>\$ 35,593,986</u>

See accompanying notes to financial statements.

DAYTONA STATE COLLEGE FOUNDATION, INC.
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Expendable</u>	<u>Nonexpendable Endowments</u>	
Revenues				
Operating revenues:				
Contributions	\$ 248,869	\$ 2,035,534	\$ -	\$ 2,284,403
Direct operating support - Daytona State College	325,248	335,275	-	660,523
Total operating revenues	<u>574,117</u>	<u>2,370,809</u>	<u>-</u>	<u>2,944,926</u>
Expenses				
Operating expenses:				
Personnel services	325,248	-	-	325,248
Scholarships and program support	25,481	1,780,945	-	1,806,426
Contractual services	29,198	-	-	29,198
Other services and expenses	150,689	257,489	-	408,178
Materials and supplies	7,766	13,958	-	21,724
Total operating expenses	<u>538,382</u>	<u>2,052,392</u>	<u>-</u>	<u>2,590,774</u>
Operating income (loss)	<u>35,735</u>	<u>318,417</u>	<u>-</u>	<u>354,152</u>
Nonoperating revenues (expenses)				
Endowment contributions	-	-	1,368,023	1,368,023
Net realized and unrealized gains (losses) on investments, net of investment expenses of \$75,437	476,505	2,938,206	-	3,414,711
Interest and dividends	185,038	625,447	-	810,485
Return on real property investment	-	115,705	-	115,705
Interfund transfers	(109,645)	54,645	55,000	-
Total nonoperating revenues	<u>551,898</u>	<u>3,734,003</u>	<u>1,423,023</u>	<u>5,708,924</u>
Change in net position	<u>587,633</u>	<u>4,052,420</u>	<u>1,423,023</u>	<u>6,063,076</u>
Net position, beginning of year	618,804	13,258,837	14,067,440	27,945,081
Net position, end of year	<u>\$ 1,206,437</u>	<u>\$ 17,311,257</u>	<u>\$ 15,490,463</u>	<u>\$ 34,008,157</u>

See accompanying notes to financial statements.

**DAYTONA STATE COLLEGE FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Student Assistance</u>	<u>College Programs</u>	<u>Community Service</u>	<u>Fund Raising</u>	<u>Management & General</u>	<u>Total</u>
Personnel services	\$ -	\$ -	\$ -	\$ -	\$ 313,003	\$ 313,003
Scholarships and program support	953,254	114,650	-	-	2,898,827	3,966,731
Contractual services	-	-	-	-	52,836	52,836
Other services and expenses	11,309	439,419	-	19,397	101,855	571,980
Materials and supplies	1,014	14,629	-	157	3,374	19,174
Total operating expenses	<u>\$ 965,577</u>	<u>\$ 568,698</u>	<u>\$ -</u>	<u>\$ 19,554</u>	<u>\$ 3,369,895</u>	<u>\$ 4,923,724</u>

**SCHEDULE OF FUNCTIONAL OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Student Assistance</u>	<u>College Programs</u>	<u>Community Service</u>	<u>Fund Raising</u>	<u>Management & General</u>	<u>Total</u>
Personnel services	\$ -	\$ -	\$ -	\$ -	\$ 325,248	\$ 325,248
Scholarships and program support	973,182	208,244	-	-	625,000	1,806,426
Contractual services	-	-	-	-	29,198	29,198
Other services and expenses	4,716	249,582	1,550	44,462	107,868	408,178
Materials and supplies	2,625	14,062	193	2,545	2,299	21,724
Total operating expenses	<u>\$ 980,523</u>	<u>\$ 471,888</u>	<u>\$ 1,743</u>	<u>\$ 47,007</u>	<u>\$ 1,089,613</u>	<u>\$ 2,590,774</u>

See accompanying notes to financial statements.

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

To the Board of Directors
Daytona State College 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 Daytona State College Foundation, Inc. (the Foundation), a component unit of Daytona State College, as of and for the year ended December 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 April 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

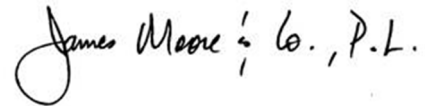
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations,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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
April 28, 2021