

Broward College Foundation, Inc.

Financial Statements
and Additional Information
For the Years Ended December 31, 2019 and 2018

Broward College Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Members of the Audit Committee
Broward College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Broward College Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 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 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.

Broward College Foundation, Inc.

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 Broward College Foundation, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Receipts, Expenditures and Fund Balances for Broward Futures Scholarship Fund on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 19, 2020

FINANCIAL STATEMENTS

**Keefe
McCullough**
CPA's + Trusted Advisors

Broward College Foundation, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 3,045,717	\$ 1,022,711
Accounts receivable	177,962	243,072
Promises to give, net	2,853,950	1,526,618
Prepays	11,785	6,692
Investments	<u>81,452,301</u>	<u>72,864,807</u>
Total assets	<u>\$ 87,541,715</u>	<u>\$ 75,663,900</u>
Liabilities:		
Accounts payable and other liabilities	\$ 421,003	\$ 689,245
Program support, awards, and grants payable	<u>11,982</u>	<u>29,654</u>
Total liabilities	<u>432,985</u>	<u>718,899</u>
Net Assets:		
Without donor restrictions:		
Undesignated	5,455,845	3,980,574
Designated by the Board for operating reserves	2,446,871	1,376,986
Designated by the Board for programs and scholarships	<u>4,163,074</u>	<u>4,062,617</u>
	<u>12,065,790</u>	<u>9,420,177</u>
With donor restrictions:		
Perpetual in nature	41,692,955	40,290,908
Purpose and time restrictions	<u>33,349,985</u>	<u>25,233,916</u>
	<u>75,042,940</u>	<u>65,524,824</u>
Total net assets	<u>87,108,730</u>	<u>74,945,001</u>
Total liabilities and net assets	<u>\$ 87,541,715</u>	<u>\$ 75,663,900</u>

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

Broward College Foundation, Inc.
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions and bequests	\$ 56,218	\$ 9,158,128	\$ 9,214,346	\$ 26,726	\$ 5,050,107	\$ 5,076,833
Educational related revenue	-	1,771,697	1,771,697	-	555,811	555,811
Support from Broward College	1,085,985	-	1,085,985	967,105	-	967,105
Interest and dividends	319,905	1,186,277	1,506,182	238,733	1,040,960	1,279,693
Fundraising event revenue, net of expenses of \$ 143,505 and \$ 65,091, respectively	281,818	-	281,818	79,334	-	79,334
Other revenues	9,661	97,913	107,574	14,003	3,315	17,318
Unrealized and realized gains (losses) on investments, net of fees	2,051,501	8,132,947	10,184,448	(968,604)	(4,098,653)	(5,067,257)
Net assets released from restrictions	8,506,846	(8,506,846)	-	7,724,333	(7,724,333)	-
Total support and revenues	12,311,934	11,840,116	24,152,050	8,081,630	(5,172,793)	2,908,837
Expenses:						
Program services	7,899,910	-	7,899,910	7,804,149	-	7,804,149
Supporting services:						
Management and general	954,163	-	954,163	745,295	-	745,295
Fundraising and development	812,248	-	812,248	785,783	-	785,783
Total supporting services	1,766,411	-	1,766,411	1,531,078	-	1,531,078
Total expenses	9,666,321	-	9,666,321	9,335,227	-	9,335,227
Loss on uncollectible promises to give	-	2,322,000	2,322,000	-	-	-
Total expenses and losses	9,666,321	2,322,000	11,988,321	9,335,227	-	9,335,227
Change in net assets	2,645,613	9,518,116	12,163,729	(1,253,597)	(5,172,793)	(6,426,390)
Net Assets, beginning of year	9,420,177	65,524,824	74,945,001	10,673,774	70,697,617	81,371,391
Net Assets, end of year	\$ 12,065,790	\$ 75,042,940	\$ 87,108,730	\$ 9,420,177	\$ 65,524,824	\$ 74,945,001

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

Broward College Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Supporting Services			Total 2019 Expenses	Total 2018 Expenses
	Academic and College Support	Scholarships	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services		
Scholarships	\$ -	\$ 4,209,840	\$ 4,209,840	\$ -	\$ -	\$ -	\$ 4,209,840	\$ 4,098,744
Salaries and other compensation	1,319,827	-	1,319,827	530,837	626,903	1,157,740	2,477,567	2,198,553
College facilities support	1,558,000	-	1,558,000	-	-	-	1,558,000	1,865,297
Professional fees	229,583	-	229,583	281,827	38,994	320,821	550,404	451,699
College equipment support	383,926	-	383,926	-	-	-	383,926	200,615
Investment management fees	36,999	156,345	193,344	18,917	20,176	39,093	232,437	243,588
Meals and entertainment	20,384	-	20,384	9,797	161,919	171,716	192,100	138,308
Supplies and materials	50,124	-	50,124	9,098	45,689	54,787	104,911	89,015
Office rent	12,311	-	12,311	37,478	47,399	84,877	97,188	94,358
Subscriptions and memberships	67,253	-	67,253	7,305	8,792	16,097	83,350	58,025
Software purchases and maintenance	-	-	-	53,092	291	53,383	53,383	57,364
Printing and postage	17,225	-	17,225	583	17,597	18,180	35,405	34,023
Other	13,717	-	13,717	10,365	5,095	15,460	29,177	30,146
Travel	11,825	-	11,825	-	1,996	1,996	13,821	8,374
Insurance	62	-	62	12,419	291	12,710	12,772	12,823
Conferences and workshops	5,833	-	5,833	1,362	787	2,149	7,982	62,974
Total expenses by function	3,727,069	4,366,185	8,093,254	973,080	975,929	1,949,009	10,042,263	9,643,906
Less expenses included with support and revenues on the statement of activities:								
Investment management fees	(36,999)	(156,345)	(193,344)	(18,917)	(20,176)	(39,093)	(232,437)	(243,588)
Fundraising event expenses	-	-	-	-	(143,505)	(143,505)	(143,505)	(65,091)
Total expenses included in the expenses section on the statement of activities	\$ 3,690,070	\$ 4,209,840	\$ 7,899,910	\$ 954,163	\$ 812,248	\$ 1,766,411	\$ 9,666,321	\$ 9,335,227

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

Broward College Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Supporting Services			Total 2018 Expenses
	Academic and College Support	Scholarships	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	
Scholarships	\$ -	\$ 4,098,744	\$ 4,098,744	\$ -	\$ -	\$ -	\$ 4,098,744
Salaries and other compensation	1,297,116	-	1,297,116	359,559	541,878	901,437	2,198,553
College facilities support	1,865,297	-	1,865,297	-	-	-	1,865,297
Professional fees	124,172	-	124,172	308,191	19,336	327,527	451,699
Investment management fees	39,950	169,839	209,789	15,962	17,837	33,799	243,588
College equipment support	200,615	-	200,615	-	-	-	200,615
Meals and entertainment	23,572	-	23,572	301	114,435	114,736	138,308
Office rent	24,477	-	24,477	28,109	41,772	69,881	94,358
Supplies and materials	49,720	-	49,720	1,360	37,935	39,295	89,015
Conferences and workshops	47,182	-	47,182	4,476	11,316	15,792	62,974
Subscriptions and memberships	29,095	-	29,095	1,500	27,430	28,930	58,025
Software purchases and maintenance	14,881	-	14,881	17,092	25,391	42,483	57,364
Printing and postage	11,096	-	11,096	69	22,858	22,927	34,023
Other	9,089	-	9,089	18,211	2,846	21,057	30,146
Insurance	3,326	-	3,326	3,820	5,677	9,497	12,823
Travel	5,767	-	5,767	2,607	-	2,607	8,374
Total expenses by function	3,745,355	4,268,583	8,013,938	761,257	868,711	1,629,968	9,643,906
Less expenses included with support and revenues on the statement of activities:							
Investment management fees	(39,950)	(169,839)	(209,789)	(15,962)	(17,837)	(33,799)	(243,588)
Fundraising event expenses	-	-	-	-	(65,091)	(65,091)	(65,091)
Total expenses included in the expenses section on the statement of activities	\$ 3,705,405	\$ 4,098,744	\$ 7,804,149	\$ 745,295	\$ 785,783	\$ 1,531,078	\$ 9,335,227

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

Broward College Foundation, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 12,163,729	\$ (6,426,390)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Provision for doubtful accounts	2,322,000	-
Unrealized and realized (gains) losses on investments, net of fees	(10,184,448)	5,067,257
Contributions restricted for investment in permanent endowment	(1,486,648)	(435,060)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	65,110	39,067
Promises to give, net	(3,649,332)	(1,281,191)
Prepays	(5,093)	(316)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(268,242)	212,451
Deferred revenue	-	(175,000)
Program support, awards, and grants payable	(17,672)	11,775
	<u>(1,060,596)</u>	<u>(2,987,407)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	9,430,360	4,349,736
Purchases of investments	<u>(7,833,406)</u>	<u>(3,307,707)</u>
	<u>1,596,954</u>	<u>1,042,029</u>
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for investment in permanent endowment	<u>1,486,648</u>	<u>435,060</u>
	<u>1,486,648</u>	<u>435,060</u>
Net increase (decrease) in cash and cash equivalents	2,023,006	(1,510,318)
Cash and Cash Equivalents, beginning of year	<u>1,022,711</u>	<u>2,533,029</u>
Cash and Cash Equivalents, end of year	<u>\$ 3,045,717</u>	<u>\$ 1,022,711</u>

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

Note 1 - Organization and Operations

Broward College Foundation, Inc. (the "Foundation") was incorporated on November 5, 1971 under the laws of the State of Florida as a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and as a publicly supported charitable organization under Sections 509(a)(1) and 170(b)(1)(A)(vi).

The Foundation was organized to receive, hold, invest, and make expenditures for educational purposes, primarily scholarships, program support, endowed teaching chairs and capital facilities to Broward College (the "College").

The College offers professional certifications, two-year career degrees, two-year university-transfer degrees and four-year baccalaureate degrees in selected high demand fields.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and certain other board-designated endowments.
- *Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions include cash, cash equivalents, investments and promises to give.

Generally, contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

Cash and cash equivalents: Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents that the Foundation intends to use for long-term purposes are classified as investments in the accompanying statements of financial position.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue and revenue recognition: The Foundation recognizes support and other revenue when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Bequests are recorded when all requirements for the transfer of the assets to the Foundation have been met, appropriate court orders have been issued and the amount is determinable.

Investments: The Foundation records investment purchases at cost, or if donated, at estimated fair value on the date of donation. Thereafter, investments are reported at their estimated fair values in the statements of financial position.

In accordance with the policy of stating investments at estimated fair value, net unrealized appreciation or depreciation for the year is reflected in the accompanying statements of activities, net of external fees.

The Foundation evaluates its "spending rate" annually in light of total estimated long-term return from investments, fees, expenses, and the effects of inflation. The total return is considered to include interest, dividends, and realized and unrealized gains and losses. For 2019 and 2018, the spending rate for scholarships awarded from endowed funds was set at approximately 4% of the three-year quarterly rolling average of the fair market value of the applicable funds with a budgeting lead of one year.

The Foundation pools its funds in order to obtain greater investment leverage and more efficient administration. The objective of investment management of all funds is to maximize the growth of the fund assets consistent with minimizing exposure to risks of permanent capital losses and attainment of the Foundation's desired level of spending. In general, it is the normal investment policy of the Foundation to invest initial principal contributions and subsequent additions to all pooled funds in equity, fixed income, real assets, and diversifying strategies based on an allocation determined by the Finance and Investment Committee of the Board of Directors, in accordance with the Foundation's formal investment policies. The allocation of income and gain or loss from pooled investments is calculated based on the ratio of the previous month's share of each fund's fair value to the total pooled investments.

Promises to give: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the assets. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management has determined the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

Charitable remainder trusts: The Foundation has been designated as the trustee on certain irrevocable charitable remainder trusts. The trust agreements require the Foundation to make annual payments to the trust beneficiary based on stipulated payment rates of 8% and 8.5%, applied to the fair value of the trust assets, as determined annually. Upon the death of the beneficiary, the remaining trust assets will be distributed by the Foundation as stipulated by the respective trust agreement.

Note 2 - Summary of Significant Accounting Policies (continued)

The Foundation records the assets held in these trusts at their estimated fair value. A corresponding liability is recorded to reflect the present value of required lifetime payments to the named beneficiaries using discount rates commensurate with the risks involved, which were in existence at the date of the gifts. Valuations are calculated annually by management by updating life expectancy of the income beneficiary and investment values.

The difference between the estimated fair value of the assets received and liabilities under charitable remainder trusts is recognized as contribution revenue in the year the agreement is signed. In subsequent years, the liability for future payments to the beneficiaries are reduced by payments made to the beneficiaries and are adjusted to reflect changes in the estimated fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Joint costs of fundraising appeals: The Foundation utilized various pamphlets, brochures, and informational methods to inform the general public of their activities. These costs are charged to fundraising and development expenses.

In-kind contributions: The Foundation receives contributions of in-kind goods, services and facility usage from the College (Note 11). Contributed goods and facility usage are recorded at estimated fair value at the date of donation. Donated services are recorded at the respective estimated fair values of the services received.

Functional allocation of expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by functions. Expenses that can be directly identified with a program or supporting service are charged accordingly. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses, including salaries and other compensation, professional fees, supplies and materials, and others, are allocated on the basis of estimates of time and effort and other methods as determined by management.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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. It is at least reasonably possible that the significant estimates used will change within the next year.

Reclassifications: Certain accounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

Date of management's review: Subsequent events have been evaluated by management through June 19, 2020, which is the date the financial statements were issued.

Note 3 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date ending December 31, 2019, comprise the following:

Financial assets, at year-end	\$ 87,529,930
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	(51,402,675)
Subject to appropriation and satisfaction of donor restrictions	<u>(23,640,265)</u>
	<u>(75,042,940)</u>
Board designations:	
Amounts set aside for programs and scholarships	(4,163,074)
Amounts set aside for operating reserves	<u>(2,446,871)</u>
	<u>(6,609,945)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>5,877,045</u></u>

The Foundation endowment funds (Note 10) consist of donor-restricted endowments and funds designated to serve as endowments. Income from donor-restricted endowments is restricted for specific purposes. Endowments are subject to an annual spending rate as approved by the board. For 2020, the board approved a spending rate of approximately 6.25%, including fees, or approximately \$ 6,191,000.

Occasionally, the Board designates a portion of any operating surplus to its operating reserve which was approximately \$ 2,447,000 as of December 31, 2019. In addition, the board has designated approximately \$ 4,163,000, as of December 31, 2019, of operating surplus to provide funds for endowment spending during years where, due to negative market fluctuations, the accumulated earnings on endowments are not sufficient to provide the desired spending allocation.

Note 4 - Credit Risk and Concentrations

Deposit concentration risk is managed by placing cash and cash equivalents deposits with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to adequate historical collection rates and because substantial portions of the outstanding amounts are due from donors, including private foundations, supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management, third-party consultants, and the Investment Committee of the Foundation.

Note 4 - Credit Risk and Concentrations (continued)

At December 31, 2019 and 2018, concentrations of credit risk related to cash and cash equivalents were as follows:

<u>Cash and cash equivalents</u>	<u>2019</u>		<u>2018</u>	
	<u>Financial Institution Balance</u>	<u>Carrying Value</u>	<u>Financial Institution Balance</u>	<u>Carrying Value</u>
Bank A	\$ 2,387,927	\$ 2,471,260	\$ 591,284	\$ 948,807
Bank B	593,666	574,457	737,684	73,904
	<u>\$ 2,981,593</u>	<u>\$ 3,045,717</u>	<u>\$ 1,328,968</u>	<u>\$ 1,022,711</u>

As of December 31, 2019 and 2018, approximately 69% and 74%, respectively, of outstanding promises to give were due from one donor.

Note 5 - Investments

At December 31, 2019 and 2018, investments are as follows:

	<u>2019</u>	<u>2018</u>
International equities	\$ 26,041,174	\$ 22,367,266
Domestic equities	18,616,198	16,504,109
Partnership interests	17,850,388	16,245,573
Fixed income	10,605,979	11,197,804
Real assets	7,061,170	5,999,905
Money market funds/cash	1,277,392	550,150
Total investments	<u>\$ 81,452,301</u>	<u>\$ 72,864,807</u>

Unrealized and realized gains (losses) on investments reflected in the statements of activities, for the years ended December 31, 2019 and 2018, are presented net of investment management fees of approximately \$ 232,000 and \$ 244,000, respectively.

Investments in equities are carried at market value, as quoted on major stock exchanges. Investments in fixed income funds are valued at quoted prices as determined by the issuers. Mutual funds and money market funds are carried at fair value, which are equal to quoted prices as of the last day of the fiscal year. The estimated fair value of certain alternative investments is based on valuations provided by the external investment managers. Values may be based on historical costs, appraisals, or other estimates that require varying degrees of judgment. While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance, and any remaining commitments, in each investment.

The Foundation invests in alternative investments in order to diversify risk in their portfolio and improve the overall performance consistency of the portfolio. These investments consist of hedge, real assets, and venture capital funds. Although risk may be present in these types of investments, the investment managers are required, according to the Foundation's investment policy, to make a reasonable effort to control risk. Risk is evaluated on a regular basis to ensure objectives are being met.

Note 5 - Investments (continued)

Fair value measurement: The Foundation previously adopted Statement of Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*. ASC 820 No. establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Inputs broadly refer to the assumptions that market participants use to make valuation decisions. The inputs or methodology used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs are quoted market prices (unadjusted) in active markets for identical investments that the Foundation has the ability to access at the measurement date.
- Level 2 - inputs are other than quoted prices included within Level 1 that are observable for the investments either directly or indirectly (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 - inputs that are significant unobservable inputs for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

Foundation investments at fair value, as of December 31, 2019 and 2018, on the statements of financial position are classified as follows:

Investments in:	Level 1	Level 2	Level 3	Investments Valued at NAV	Total 2019
International equities	\$ 21,335,967	\$ -	\$ -	\$ 4,705,207	\$ 26,041,174
Domestic equities	18,616,198	-	-	-	18,616,198
Partnership interests	-	-	-	17,850,388	17,850,388
Fixed income	10,605,979	-	-	-	10,605,979
Real assets	3,462,831	-	-	3,598,339	7,061,170
Money market funds/cash	1,277,392	-	-	-	1,277,392
	<u>\$ 55,298,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,153,934</u>	<u>\$ 81,452,301</u>

Broward College Foundation, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 5 - Investments (continued)

Investments in:	Level 1	Level 2	Level 3	Investments Valued at NAV	Total 2018
International equities	\$ 18,509,855	\$ -	\$ -	\$ 3,857,411	\$ 22,367,266
Domestic equities	16,504,109	-	-	-	16,504,109
Partnership interests	-	-	-	16,245,573	16,245,573
Fixed income	11,197,804	-	-	-	11,197,804
Real assets	2,783,769	-	-	3,216,136	5,999,905
Money market funds/cash	550,150	-	-	-	550,150
	\$ 49,545,687	\$ -	\$ -	\$ 23,319,120	\$ 72,864,807

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1, Level 2, and Level 3.

In accordance with Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures*, the following tables provide the required disclosures of certain alternative investments, separate legal and primary reporting entities, and that may not have a readily determinable fair value, using net asset value per share (NAV) for fair value investments:

Investments in:	December 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International equities (a)	\$ 4,705,207	\$ -	Daily	N/A
Partnership interests (b)	17,850,388	3,684,408	Semi-annually and no liquidity	95 days
Real assets (c)	3,598,339	-	Monthly	30 days
	\$ 26,153,934	\$ 3,684,408		

Investments in:	December 31, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International equities	\$ 3,857,411	\$ -	Daily	N/A
Partnership interests	16,245,573	3,621,003	Semi-annually and no liquidity	95 days
Real assets	3,216,136	-	Monthly	30 days
	\$ 23,319,120	\$ 3,621,003		

Note 5 - Investments (continued)

- (a) This category includes investments that pursue multiple strategies to achieve long-term appreciation by investing in domestic, international developed and emerging markets. Underlying assets are exchange traded equities.
- (b) This category includes hedged partnerships and private capital partnerships.

Hedged partnerships include investments structured as limited partnerships with a broad range of strategies, including long/short equity, event driven, relative value, global macro, distressed securities and merger arbitrage.

Private capital partnership funds pursue a broad range of securities across the spectrum of private equity, venture capital, leveraged buyouts, growth equity, special situations, private real estate, private credit and private natural resources. These funds are structured as limited partnerships with expected lives of 10-15 years.

- (c) This investment strategy is to achieve growth through current income and capital appreciation by investing in real assets markets which include oil, gas, commodities, metals and infrastructure. Underlying assets are exchange traded funds.

Note 6 - Promises to Give

Promises to give include unconditional promises to give from individuals, private foundations, and corporations, which are summarized below as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 2,397,428	\$ 530,350
Receivable in one to five years	2,260,325	1,043,200
Receivable in more than five years	<u>30,000</u>	<u>-</u>
Total unconditional pledges at face value	4,687,753	1,573,550
Less: allowance for doubtful accounts	(1,784,000)	-
Less: unamortized discount	<u>(49,803)</u>	<u>(46,932)</u>
	<u>\$ 2,853,950</u>	<u>\$ 1,526,618</u>

Promises to give are recorded at their net present value. The discount rates ranged from 0.75% to 3.00%.

Note 7 - Program Support, Awards, and Grants Payable

Program support, awards, and grants payable include unconditional promises to give for endowed teaching chairs, capital facility commitments and grants which are summarized below, as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Payable in less than one year	\$ <u>11,982</u>	\$ <u>29,654</u>

Note 8 - Income Taxes

The Foundation is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Foundation's financial statements. Accordingly, no provision for income taxes has been made.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 4,255,087	\$ 2,083,310
Academic and campus programs	2,689,190	2,635,795
Unconditional promises to give, net, that are restricted by donors and other receivables for:		
Scholarships	135,136	312,714
Programs	<u>2,331,631</u>	<u>1,358,456</u>
	<u>9,411,044</u>	<u>6,390,275</u>
Subject to the passage of time:		
Assets held under split-interest agreements	297,426	157,603
Unconditional promises to give, net, that are not restricted by donors but which are unavailable for expenditure until due	<u>1,250</u>	<u>-</u>
	<u>298,676</u>	<u>157,603</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Scholarships	54,437,122	49,796,690
Programs	10,332,203	9,081,736
Unconditional promises to give, net - permanently restricted:		
Scholarships	158,260	98,520
Programs	<u>405,635</u>	<u>-</u>
	<u>65,333,220</u>	<u>58,976,946</u>
	<u>\$ 75,042,940</u>	<u>\$ 65,524,824</u>

Note 9 - Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows, for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Scholarships	\$ 1,303,569	\$ 1,300,669
Programs	<u>3,179,209</u>	<u>3,051,199</u>
	<u>4,482,778</u>	<u>4,351,868</u>
Restricted-purpose spending-rate distributions and appropriations:		
Scholarships	3,956,967	3,834,004
Programs	<u>259,528</u>	<u>295,863</u>
	<u>4,216,495</u>	<u>4,129,867</u>
Changes in donor restrictions:		
Scholarships	(107,053)	(124,346)
Programs	<u>(85,374)</u>	<u>(633,056)</u>
	<u>(192,427)</u>	<u>(757,402)</u>
	<u>\$ 8,506,846</u>	<u>\$ 7,724,333</u>

Note 10 - Endowments

The Foundation has approximately 300 endowed funds established for the support of the students, programs and faculty at the College. These endowments may include both donor restricted endowment funds and funds designated by the Foundation or College to function as endowments. As required by the generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Foundation has interpreted the State of Florida's Uniform Prudent Management of Institutional Funds Act (FUPMIFA), as requiring the Board of Directors to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment, management, and expenditures of endowment funds. The Foundation's spending policy is set with the goal of the preservation of the long-term purchasing power of the endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 10 - Endowments (continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The purposes of the Foundation and the donor-restricted endowment fund.
- (2) The duration and preservation of the fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Foundation.
- (7) The investment and spending policies of the Foundation.

Endowment Net Asset Composition by Type of Fund as of December 31, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Donor-restricted endowment funds:			
Original donor - restricted amount and amounts required to be held in perpetuity by donor	\$ -	\$ 41,692,955	\$ 41,692,955
Quasi-endowments and accumulated earnings	<u>-</u>	<u>23,640,265</u>	<u>23,640,265</u>
Total endowment funds	<u>\$ -</u>	<u>\$ 65,333,220</u>	<u>\$ 65,333,220</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>
Donor-restricted endowment funds:			
Original donor - restricted amount and amounts required to be held in perpetuity by donor	\$ -	\$ 40,290,908	\$ 40,290,908
Quasi-endowments and accumulated earnings	<u>-</u>	<u>18,686,038</u>	<u>18,686,038</u>
Total endowment funds	<u>\$ -</u>	<u>\$ 58,976,946</u>	<u>\$ 58,976,946</u>

Broward College Foundation, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 10 - Endowments (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Endowments net assets, beginning of year	\$ -	\$ 58,976,946	\$ 58,976,946
Interest and dividend income	-	1,176,396	1,176,396
Net appreciation (depreciation) (realized and unrealized), net of fees	-	8,024,480	8,024,480
Total investment return, net	-	9,200,876	9,200,876
Contributions and other additions	-	1,506,672	1,506,672
Appropriated per spending policy	-	(4,216,492)	(4,216,492)
Donor requested changes in restrictions	-	(134,782)	(134,782)
Total change in endowment funds	-	6,356,274	6,356,274
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 65,333,220</u>	<u>\$ 65,333,220</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>
Endowments net assets, beginning of year	\$ 424,678	\$ 65,535,017	\$ 65,959,695
Interest and dividend income	-	1,028,987	1,028,987
Net appreciation (depreciation) (realized and unrealized), net of fees	-	(4,054,239)	(4,054,239)
Total investment return, net	-	(3,025,252)	(3,025,252)
Contributions and other additions	-	554,393	554,393
Appropriated per spending policy	-	(4,325,890)	(4,325,890)
Donor requested changes in restrictions	(424,678)	238,678	(186,000)
Total change in endowment funds	(424,678)	(6,558,071)	(6,982,749)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 58,976,946</u>	<u>\$ 58,976,946</u>

Note 10 - Endowments (continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no underwater funds in 2019. There were nine underwater funds in 2018. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions representing 0.03% of the total number of endowment funds which amounts to (\$ 68,305) as of December 31, 2018.

Return objectives and risk parameters: The goal of the investment program for the endowment assets is to provide a total return equivalent to or greater than the endowment's financial requirements over its investment horizon. The endowment's financial requirements are the sum of the spending rate, the long-term inflation rate, an administrative fee and any growth factor, which the Foundation's Finance and Investment Committee may, from time to time, determine appropriate. The Foundation expects the endowment funds over time, to provide an average rate of return of approximately 7.50% annually as of December 31, 2019 and 2018.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Because the endowment funds of the Foundation are expected to endure into perpetuity, and because inflation is a key component in the performance objective, the long-term risk of not investing in securities offering real growth potential outweighs the short-term volatility risk. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve the long-term return objective within prudent risk constraints. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Alternative assets are used to mitigate the risk of traditional asset classes. Other asset classes, such as international equities, are included to provide diversification.

Spending policy and how the investment objectives relate to policy: The Foundation's spending policy focuses on protecting the corpus; the policy is a three-pronged approach to determining the endowment's spending distribution.

- (1) Hibernation - The endowment must generate earnings for one year before spending is distributed.
- (2) Spending limitations - Four percent (4%) of the three-year quarterly rolling average of the portfolio market value may be granted annually, provided there are sufficient funds in the respective earnings accounts.
- (3) Prohibition - The fund receives no spending distribution on endowments with a total balance less than the original gift's fair market value.

The Foundation charges various individual funds an administrative fee based on the three-year quarterly rolling average of the fair market value of the applicable funds. The administrative fee percentage at December 31, 2019 and 2018 was 2.25%. The administrative fees are calculated quarterly. Fees for the years ended December 31, 2019 and 2018 were approximately \$ 1,175,000 and \$ 1,156,000, respectively.

Note 11 - Related Party Transactions

The Foundation was organized to receive, hold, invest, and make expenditures to Broward College (Note 1). The following is a schedule of balances and in-kind transactions with the College as of and for the years ended December 31, 2019 and 2018, which are included in the supporting services expenses and support from Broward College:

	<u>College Support of Foundation</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other compensation	\$ 988,797	\$ 847,432
Other general and administrative expenses	<u>97,188</u>	<u>119,673</u>
Net support from Broward College	<u>\$ 1,085,985</u>	<u>\$ 967,105</u>

As of December 31, 2019 and 2018 there were payables due to the College of approximately \$ 394,000 and \$ 581,000, respectively.

For the years ended December 31, 2019 and 2018, the Foundation provided approximately \$ 6,152,000 and \$ 6,165,000, respectively, in support to the College including approximately \$ 4,210,000 and \$ 4,099,000, respectively, for scholarships or grants.

Note 12 - Broward Futures Scholarship Fund

The Broward Futures Scholarship Fund agreement supersedes and replaces the previous agreement entered into by Broward County, the Broward Sheriff's Office and the Foundation. The current agreement was updated in the fall of 2012 and was amended in the spring of 2016.

The purpose of the agreement is to establish an endowment fund to provide scholarships to qualified recipients through partnerships with local organizations to directly impact the high school drop-out rate, juvenile truancy, and crime by making it possible for at-risk Broward County students and their families to realize the dream of a college education and improve the quality of life in our community. The Broward Futures Scholarship Fund balances are broken out in the supplemental information and schedules on page 23.

Note 13 - Liabilities Under Split-Interest Agreements

The Foundation accepts gifts subject to split-interest agreements where a donor gives an investment to the Foundation and the Foundation pays a beneficiary selected by the donor an annual amount as specified by the terms of the agreement. Split-interest agreements at the Foundation are charitable remainder trusts. The Foundation records the liability due to the beneficiaries of charitable remainder trusts at net present value using discount rates determined by managers based upon actuarial tables, which ranged from 2.30% to 5.80% for the years ended December 31, 2019 and 2018.

Note 13 - Liabilities Under Split-Interest Agreements (continued)

As of December 31, 2019 and 2018, the Foundation reported approximately \$ 279,000 and \$ 237,000, respectively, in assets held under split-interest agreements (\$ 279,000 and \$ 237,000, respectively, level 1 as described in Note 5) and recognized net investment gains (losses) of approximately \$ 71,000 and (\$ 2,400) from split-interest agreements during the years ended December 31, 2019 and 2018, respectively. Total liabilities under split-interest agreements were approximately \$ 3,000 and \$ 79,000 as of December 31, 2019 and 2018, respectively and are included as accounts payable and other liabilities in the accompanying statements of financial position.

Note 14 - Supplemental Cash Flow Information

Supplemental Disclosure of Other Cash Flow Information:

	<u>2019</u>	<u>2018</u>
Cash received during the year for -		
Interest and dividend income	\$ <u>1,588,301</u>	\$ <u>1,304,269</u>

Note 15 - Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown how this negative outlook will impact the Foundation’s financial statements. No adjustments have been made to the accompanying financial statements as a result of the current events.

SUPPLEMENTAL INFORMATION AND SCHEDULES

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Broward College Foundation, Inc.
Schedule of Receipts, Expenditures and
Fund Balances for Broward Futures Scholarship Fund
For the Years Ended December 31, 2019 and 2018

The Broward Futures Scholarship Fund participated in the Dr. Phillip Benjamin Matching Grant Program. The balances include private contributions and funds from the Dr. Phillip Benjamin Academic Improvement Trust Fund (“AITF”) which are donor restricted. The following summarizes the fund balance and activity in the Broward Futures Scholarship Fund for the years ended December 31, 2019 and 2018:

	<u>With Donor Restrictions</u>
Balances, January 1, 2018	\$ 3,481,774
Investment activity	(158,426)
Less scholarship disbursements	(163,027)
Less management fees	<u>(63,463)</u>
Balances, December 31, 2018	3,096,858
Investment activity	493,882
Less scholarship disbursements	(116,774)
Less management fees	<u>(74,152)</u>
Balances, December 31, 2019	\$ <u><u>3,399,814</u></u>

INTERNAL CONTROLS AND COMPLIANCE

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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*

To the Board of Directors and the Members of the Audit Committee
Broward College Foundation, Inc.

We have audited, in accordance with the 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 Broward College Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 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 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 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. 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 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 19, 2020