# Broward College Foundation, Inc.

Financial Statements
and Additional Information
For the Years Ended December 31, 2017 and 2016

**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.
Fort Lauderdale, Florida

**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, 2017 and 2016, and the related statements of activities 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.

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, 2017 and 2016, 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**

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 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 May 14, 2018, 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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 14, 2018

# FINANCIAL STATEMENTS

**Broward College Foundation, Inc.**
**Statements of Financial Position**
**December 31, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | $ 2,533,029 | $ 1,250,936 |
| Accounts receivable | 282,139 | 135,969 |
| Pledges receivable, net | 245,427 | 804,534 |
| Prepaids | 6,376 | 7,290 |
| Investments | 78,974,093 | 72,658,193 |
| Total assets | $ 82,041,064 | $ 74,856,922 |
| **Liabilities:** | | |
| Accounts payable and other liabilities | $ 476,794 | $ 690,857 |
| Deferred revenue | 175,000 | 50,000 |
| Program support, awards, and grants payable | 17,879 | 12,500 |
| Total liabilities | 669,673 | 753,357 |
| **Net Assets:** | | |
| Unrestricted: | | |
| Operating | 10,673,774 | 9,169,310 |
| Temporarily restricted | 30,609,290 | 25,476,536 |
| Permanently restricted | 40,088,327 | 39,457,719 |
| Total net assets | 81,371,391 | 74,103,565 |
| Total liabilities and net assets | $ 82,041,064 | $ 74,856,922 |

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, 2017 and 2016**

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
| **Support and Revenues:** | | | | | | | | |
| Contributions and bequests | $ 6,823 | $ 1,362,999 | $ 602,240 | $ 1,972,062 | $ 12,311 | $ 2,012,264 | $ 576,419 | $ 2,600,994 |
| Educational related revenue | - | 982,660 | - | 982,660 | - | 1,741,555 | 3,474 | 1,745,029 |
| Support from Broward College | 1,334,500 | - | - | 1,334,500 | 1,257,133 | - | - | 1,257,133 |
| Interest and dividends | 213,065 | 971,891 | - | 1,184,956 | 188,062 | 930,285 | - | 1,118,347 |
| Fundraising event revenue, net of expenses of $ 68,565 and $ 59,085, respectively | 85,121 | - | - | 85,121 | 95,055 | - | - | 95,055 |
| Other revenues | 12,639 | 8,450 | - | 21,089 | 12,992 | 9,497 | - | 22,489 |
| Unrealized and realized gains on investments, net of fees | 1,490,409 | 7,955,735 | - | 9,446,144 | 638,894 | 3,858,769 | - | 4,497,663 |
| Net assets released from restrictions | 6,120,613 | (6,148,981) | 28,368 | - | 8,249,984 | (8,320,008) | 70,024 | - |
| Total support and revenue | 9,263,170 | 5,132,754 | 630,608 | 15,026,532 | 10,454,431 | 232,362 | 649,917 | 11,336,710 |
| **Expenses:** | | | | | | | | |
| Program expenses | 5,661,179 | - | - | 5,661,179 | 7,080,033 | - | - | 7,080,033 |
| Total program expenses | 5,661,179 | - | - | 5,661,179 | 7,080,033 | - | - | 7,080,033 |
| General and administrative expenses: | | | | | | | | |
| Administrative expenses | 864,519 | - | - | 864,519 | 810,235 | - | - | 810,235 |
| Advancement expenses | 571,019 | - | - | 571,019 | 586,430 | - | - | 586,430 |
| Development expenses | 661,989 | - | - | 661,989 | 840,586 | - | - | 840,586 |
| Total general and administrative expenses | 2,097,527 | - | - | 2,097,527 | 2,237,251 | - | - | 2,237,251 |
| Total expenses | 7,758,706 | - | - | 7,758,706 | 9,317,284 | - | - | 9,317,284 |
| Change in net assets | 1,504,464 | 5,132,754 | 630,608 | 7,267,826 | 1,137,147 | 232,362 | 649,917 | 2,019,426 |
| **Net Assets, beginning of year as restated (Note 13)** | 9,169,310 | 25,476,536 | 39,457,719 | 74,103,565 | 8,032,163 | 25,244,174 | 38,807,802 | 72,084,139 |
| **Net Assets, end of year** | $ 10,673,774 | $ 30,609,290 | $ 40,088,327 | $ 81,371,391 | $ 9,169,310 | $ 25,476,536 | $ 39,457,719 | $ 74,103,565 |

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, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Change in net assets | $ 7,267,826 | $ 2,019,426 |
| Adjustments to reconcile change in net assets to cash provided by (used in) operating activities: | | |
| Unrealized and realized gains on investments, net of fees | (9,446,144) | (4,497,663) |
| Contributions restricted for investment in permanent endowment | (602,240) | (579,893) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Accounts receivable | (146,170) | (20,713) |
| Pledges receivable, net | 559,107 | 818,690 |
| Prepaids | 914 | 13,702 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and other liabilities | (214,063) | 87,798 |
| Deferred revenue | 125,000 | (170,000) |
| Program support, awards, and grants payable | 5,379 | (4,304) |
| Net cash provided by (used in) operating activities | (2,450,391) | (2,332,957) |
| **Cash Flows from Investing Activities:** | | |
| Proceeds from sale of investments | 8,062,093 | 6,194,102 |
| Purchases of investments | (4,931,849) | (4,750,386) |
| Net cash provided by (used in) investing activities | 3,130,244 | 1,443,716 |
| **Cash Flows from Financing Activities:** | | |
| Proceeds from contributions restricted for investment in permanent endowment | 602,240 | 579,893 |
| Net cash provided by (used in) financing activities | 602,240 | 579,893 |
| Net increase (decrease) in cash and cash equivalents | 1,282,093 | (309,348) |
| **Cash and Cash Equivalents, beginning of year** | 1,250,936 | 1,560,284 |
| **Cash and Cash Equivalents, end of year** | $ 2,533,029 | $ 1,250,936 |

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").

Broward 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 recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Restricted and unrestricted revenue and support**: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Contributions and bequests:** Bequests are accrued 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.

**Cash and cash equivalents:** Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less. The Foundation routinely maintains balances with financial institutions in excess of federally insured amounts (Note 3). The Foundation has not experienced any losses and does not believe it is exposed to significant risk associated with cash and cash equivalents. Cash equivalents that the Foundation intends to use for long-term purposes are classified as investments in the accompanying statements of financial position.

**Investments:** Readily marketable investments are primarily held in custodian accounts administered for the Foundation. The custodian is responsible for the disbursement of funds on instructions from the Executive Director of the Foundation.

## Note 2 - Summary of Significant Accounting Policies (continued)

Readily marketable investments are stated at fair value using quoted market prices. In accordance with the policy of stating investments at fair value, net unrealized appreciation or depreciation for the year is reflected in the accompanying statements of activities, net of fees. Investments received as a contribution are recorded at the average of the high and low quoted market or estimated fair value at the date of receipt.

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 2017 and 2016, 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 global equity, global 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.

**Pledges receivable**: Unconditional pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. These amounts, less an allowance for potentially uncollectible pledges, if applicable, are reported on a net present value basis using an appropriate discount rate. Conditional pledges are recognized when the conditions on which they depend are substantially met. As of December 31, 2017 and 2016, there are no conditional pledges.

**Charitable remainder trusts:** The Foundation has been designated as the trustee for two 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 donor.

The Foundation records the assets held in these trusts at their fair value based on quoted market values. A corresponding liability has been 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 fair value of the assets received and liabilities under charitable remainder trusts is recognized as contribution revenue in the year the agreement is signed. Realized and unrealized gains and losses, interest and dividend income from investments and changes in actuarial assumptions and accretions of the liabilities are recorded as program expenses in the accompanying statements of financial position.

## Note 2 - Summary of Significant Accounting Policies (continued)

**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 development expenses.

**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 items in the prior years have been reclassified in order to be consistent with the current year presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

**Date of management's review**: Subsequent events have been evaluated by management through May 14, 2018, which is the date the financial statements were issued.

## Note 3 - Credit Risk and Concentrations

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, are primarily cash and cash equivalents. At December 31, 2017 and 2016, concentrations of credit risk were as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| Cash and cash equivalents | Financial Institution Balance | Carrying Value | Financial Institution Balance | Carrying Value |
| Bank A | $ 2,195,656 | $ 2,229,205 | $ 916,400 | $ 1,037,998 |
| Bank B | 332,646 | 303,824 | 217,083 | 212,938 |
| | $ 2,528,302 | $ 2,533,029 | $ 1,133,483 | $ 1,250,936 |

## Note 4 - Investments

At December 31, 2017 and 2016, investments are as follows:

| | 2017 | 2016 |
|---|---|---|
| International equities | $ 25,842,012 | $ 22,569,378 |
| Domestic equities | 20,037,101 | 18,687,854 |
| Partnership interests | 11,598,779 | 10,205,093 |
| Fixed income | 11,241,514 | 9,781,136 |
| Real assets | 9,662,839 | 11,022,530 |
| Money market funds/cash | 591,848 | 392,202 |
| Total investments | $ 78,974,093 | $ 72,658,193 |

**Note 4 - Investments (continued)**

Unrealized and realized gains on investments reflected in the statements of activities for the years ended December 31, 2017 and 2016 is presented net of investment manager/custodian fees of approximately $ 280,000 and $ 268,000, 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.

**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 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, including assumptions about risk. 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).

## Note 4 - Investments (continued)

Foundation investments at fair value, as of December 31, 2017 and 2016, on the statements of financial position are classified as follows:

| Investments in: | Level 1 | Level 2 | Level 3 | Investments Valued at NAV | Total 2017 |
|---|---|---|---|---|---|
| International equities | $ 21,461,926 | $ - | $ - | $ 4,380,086 | $ 25,842,012 |
| Domestic equities | 20,037,101 | - | - | - | 20,037,101 |
| Partnership interests | - | - | - | 11,598,779 | 11,598,779 |
| Fixed income | 11,241,514 | - | - | - | 11,241,514 |
| Real assets | 3,049,718 | - | - | 6,613,121 | 9,662,839 |
| Money market funds/cash | 591,848 | - | - | - | 591,848 |
| | $ 56,382,107 | $ - | $ - | $ 22,591,986 | $ 78,974,093 |

| Investments in: | Level 1 | Level 2 | Level 3 | Investments Valued at NAV | Total 2016 |
|---|---|---|---|---|---|
| International equities | $ 18,618,513 | $ - | $ - | $ 3,950,865 | $ 22,569,378 |
| Domestic equities | 18,687,854 | - | - | - | 18,687,854 |
| Real assets | 3,887,627 | - | - | 7,134,903 | 11,022,530 |
| Partnership interests | - | - | - | 10,205,093 | 10,205,093 |
| Fixed income | 9,781,136 | - | - | - | 9,781,136 |
| Money market funds/cash | 392,202 | - | - | - | 392,202 |
| | $ 51,367,332 | $ - | $ - | $ 21,290,861 | $ 72,658,193 |

For the years ended December 31, 2017 and 2016, 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 entity, and that may not have a readily determinable fair value, using net asset value per share (NAV) for fair value investments:

| | December 31, 2017 | | | |
|---|---|---|---|---|
| Investments in: | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| International equities (a) | $ 4,380,086 | $ - | Daily | N/A |
| Partnership interests (b) | 11,598,779 | 2,411,091 | Semi-annually | 95 days |
| Real assets (c) | 6,613,121 | 1,572,781 | Monthly | 30 days |
| | $ 22,591,986 | $ 3,983,872 | | |

## Note 4 - Investments (continued)

| | December 31, 2016 | | | |
|---|---|---|---|---|
| Investments in: | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| International equities | $ 3,950,865 | $ - | Daily | N/A |
| Partnership interests | 10,205,093 | 2,507,232 | Semi-annually | 95 days |
| Real assets | 7,134,903 | 1,822,046 | Monthly | 30 days |
| | $ 21,290,861 | $ 4,329,278 | | |

(a) This category includes a fund that invests primarily in shares and related securities which (1) are listed in shares in emerging market countries or (2) are issued by companies who derive a substantial portion of their income from emerging market countries.

(b) This category includes seven funds. One is a multi-strategy fund-of-funds that focuses on relative value to achieve consistent absolute returns with preservation of capital. The fair values of the investments in this class have been calculated using the net asset value per share of the fund. Redemptions are permitted semi-annually (February 1 and August 1) and require a 95-day notice period.

Another fund purchases privately held assets in secondary transactions. The manager emphasizes finding value through sourcing a seller that is motivated by liquidity needs. Most of the assets are allocated to mature companies backed by buyout funds. Distributions from this fund are solely governed by the General Partner and thus redemption frequency and redemption notice periods are not applicable. The fund commenced in 2011 and will continue through 2021 with three one-year extension periods.

Three of the funds invest in U.S.-based, early stage venture capital funds, but may include non-U.S. funds for diversification. The funds may also contain investments in underlying partnerships whose managers execute balanced, late stage, and growth equity investment strategies. Distributions from the funds are solely governed by the General Partner and thus redemption frequency and redemption notice periods are not applicable. The funds commenced between 2010 and 2013 and will continue through 2022 to 2025 with two one-year extension periods.

Another fund is a fund of funds that targets limited partner interest in buyout funds focused on the North American lower middle-market. Distributions from the fund are solely governed by the General Partner and thus redemption frequency and redemption notice periods are not applicable. The funds term is twelve years with three one-year extension periods.

The remaining fund seeks to invest in a diversified portfolio of privately originated first lien, second lien, and unitranche debt. Distributions from the fund are solely governed by the General Partner and this redemption frequency and redemption notice periods are not applicable. The fund's term is three years with no extension periods.

## Note 4 - Investments (continued)

(c) This category includes five funds. Two of the funds acquire small-mid size, mature companies, in the Continental U.S., producing oil and gas assets with potential for increased returns through operational improvements and leveraging their technical expertise to exploit opportunities for increased production. The focus is on the upstream energy industry. Distributions from the funds are solely governed by the General Partner and thus redemption frequency and redemption notice periods are not applicable. The funds commenced between 2011 and 2014 and will continue through 2021 and 2024 with three one-year extension periods.

Two additional funds seek long-term capital appreciation and current income by directly or indirectly, acquiring, holding, leasing, operating, maintaining, improving, developing, managing, financing, refinancing, and disposing of directly or indirectly through one or more intermediaries, real estate and real-estate-related investments primarily in the United States. Distributions from the funds are solely governed by the General Partner and thus redemption frequency and redemption notice periods are not applicable. The funds commenced between 2010 and 2014 and will continue through 2020 and 2024 with two one-year extension periods.

This category also includes a fund that seeks to provide investors with exposure to the U.S. energy infrastructure primarily through publicly-traded master limited partnerships (MLPs). MLPs are publicly traded entities that own and operate midstream energy assets, such as pipelines, storage facilities and refineries and allow investors to gain exposure to energy infrastructure through liquid securities. Redemptions are permitted monthly and require a 30-day notice prior to month end.

## Note 5 - Pledges Receivable

Pledges receivable include unconditional promises to give from individuals and corporations, which are summarized as follows as of December 31, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Receivable in less than one year | $ 70,850 | $ 768,134 |
| Receivable in one to five years | 180,800 | 36,400 |
| Total unconditional pledges at face value | 251,650 | 804,534 |
| Less: unamortized discount | (6,223) | - |
| | $ 245,427 | $ 804,534 |

Pledges are recorded at their net present value. The discount rates ranged from 0.75% to 2.00%.

## Note 6 - 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 are summarized as follows as of December 31, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Payable in less than one year | $ 17,879 | $ 12,500 |

## Note 7 - 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 8 - Restricted Net Assets

Temporarily restricted net assets, consisting of cash and cash equivalents, investments and pledges receivable less related liabilities at December 31, 2017 and 2016, were available for the following purposes:

| | 2017 | 2016 |
|---|---|---|
| Scholarships | $ 30,134,604 | $ 30,067,894 |
| Program support and awards for endowed teaching chairs | 5,854,557 | 3,459,540 |
| Capital facilities | 769,110 | 269,110 |
| Net assets released from restriction | (6,148,981) | (8,320,008) |
| Total temporarily restricted net assets | $ 30,609,290 | $ 25,476,536 |

During the years ended December 31, 2017 and 2016, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions were accomplished by the following:

| | 2017 | 2016 |
|---|---|---|
| Program expenses | $ 5,609,009 | $ 7,049,706 |
| Transfers | (807,709) | (97,613) |
| Foundation administrative fees | 1,347,681 | 1,367,915 |
| Net assets released from restriction | $ 6,148,981 | $ 8,320,008 |

**Note 8 - Restricted Net Assets (continued)**

Permanently restricted net assets, consisting of cash and cash equivalents and investments at December 31, 2017 and 2016 are restricted to investment in perpetuity, the income from which is expendable to support the following purposes:

| | 2017 | 2016 |
|---|---|---|
| Scholarships | $ 34,262,800 | $ 33,840,536 |
| Endowed program funds | 2,737,500 | 2,487,500 |
| Endowed teaching chairs | 3,059,659 | 3,059,659 |
| Transfers | 28,368 | 70,024 |
| Total permanently restricted net assets | $ 40,088,327 | $ 39,457,719 |

**Note 9 - Endowments**

The Foundation has 294 endowed funds established for the support of the students, programs and faculty at the College. These endowments 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 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 classifies as permanently restricted net assets (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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated 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.

## Note 9 – Endowments (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2017 and 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2017 Total |
|---|---|---|---|---|
| Operating | $ 424,678 | $ - | $ - | $ 424,678 |
| Donor-restricted endowment funds | - | 25,446,690 | 40,088,327 | 65,535,017 |
| Total endowment funds | $ 424,678 | $ 25,446,690 | $ 40,088,327 | $ 65,959,695 |

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2016 Total |
|---|---|---|---|---|
| Operating | $ 411,226 | $ - | $ - | $ 411,226 |
| Donor-restricted endowment funds | - | 20,975,050 | 39,457,719 | 60,432,769 |
| Total endowment funds | $ 411,226 | $ 20,975,050 | $ 39,457,719 | $ 60,843,995 |

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017 and 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2017 Total |
|---|---|---|---|---|
| Endowments net assets, beginning of year | $ 411,226 | $ 20,975,050 | $ 39,457,719 | $ 60,843,995 |
| Interest and dividend income, net of fees | 5,613 | 963,275 | - | 968,888 |
| Net appreciation (realized and unrealized) | 47,158 | 7,924,250 | - | 7,971,408 |
| Total investment return | 52,771 | 8,887,525 | - | 8,940,296 |
| Contributions and other additions | 46 | 14,641 | 602,240 | 616,927 |
| Appropriated per spending policy | (39,365) | (4,387,239) | - | (4,426,604) |
| Donor requested changes in restriction | - | (43,287) | 28,368 | (14,919) |
| Total change in endowment funds | 13,452 | 4,471,640 | 630,608 | 5,115,700 |
| Endowment net assets, end of year | $ 424,678 | $ 25,446,690 | $ 40,088,327 | $ 65,959,695 |

**Note 9 - Endowments (continued)**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2016 Total |
|---|---|---|---|---|
| Endowments net assets, beginning of year | $ 382,770 | $ 19,294,697 | $ 38,807,802 | $ 58,485,269 |
| Interest and dividend income, net of fees | 5,410 | 917,836 | - | 923,246 |
| Net depreciation (realized and unrealized) | 22,993 | 3,849,775 | - | 3,872,768 |
| Total investment return | 28,403 | 4,767,611 | - | 4,796,014 |
| Contributions and other additions | 53 | 997,215 | 579,893 | 1,577,161 |
| Appropriated per spending policy | - | (4,182,086) | - | (4,182,086) |
| Donor requested changes in restriction | - | 97,613 | 70,024 | 167,637 |
| Total change in endowment funds | 28,456 | 1,680,353 | 649,917 | 2,358,726 |
| Endowment net assets, end of year | $ 411,226 | $ 20,975,050 | $ 39,457,719 | $ 60,843,995 |

**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 2017. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted or temporarily restricted net assets and represents 0.0035% of the total number of endowment funds which amount to ($ 365) as of December 31, 2016.

**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 7.5% annually as of December 31, 2017 and 2016.

**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.

## Note 9 - Endowments (continued)

**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, 2017 and 2016 was 2.25%. The administrative fees are calculated quarterly. Fees for the years ended December 31, 2017 and 2016 were approximately $ 1,348,000 and $ 1,368,000, respectively.

## Note 10 - 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 transactions with the College as of and for the years ended December 31, 2017 and 2016, which are included in general and administrative expenses and support from Broward College:

| | College Support of Foundation | |
|---|---|---|
| | 2017 | 2016 |
| Salaries | $ 1,205,467 | $ 1,139,335 |
| Other general and administrative expenses | 129,033 | 117,798 |
| Net support from Broward College | $ 1,334,500 | $ 1,257,133 |

As of December 31, 2017 and 2016 there were payables due to the College of approximately $ 358,000 and $ 570,000, respectively.

## Note 11 - 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 19.

## Note 12 - 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 year ended December 31, 2017.

As of December 31, 2017, the Foundation reported approximately $ 293,000 in assets held under split-interest agreements ($ 293,000 level 1 as described in Note 4) and recognized net investment gains of approximately $ 44,000 from split-interest agreements during the year ended December 31, 2017. Total liabilities under split-interest agreements were approximately $ 103,000 as of December 31, 2017 and are included as accounts payable and other liabilities in the accompanying statements of financial position.

## Note 13 - Restatement of Net Asset Classifications

During 2017, the Foundation performed a review of endowment net assets and noted that the previous net asset classification of several projects required adjustment to be in line with the underlying donor's original request and were reclassified. The effect of these reclassifications at December 31, 2015, were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Net Assets |
|---|---|---|---|---|
| Net assets as of December 31, 2015, as previously reported | $ 11,579,545 | $ 21,326,195 | $ 39,178,399 | $ 72,084,139 |
| Donor-restricted endowment fund reclassifications | (3,547,382) | 2,942,979 | 604,403 | - |
| Contributions and other additions | - | 975,000 | (975,000) | - |
| Restated net assets | $ 8,032,163 | $ 25,244,174 | $ 38,807,802 | $ 72,084,139 |

## Note 14 - Supplemental Cash Flow Information

Supplemental Disclosure of Other Cash Flow Information:

| | 2017 | 2016 |
|---|---|---|
| Cash received during the year for - Interest and dividend income | $ 1,158,454 | $ 1,090,378 |

# SUPPLEMENTAL INFORMATION AND SCHEDULES

**Broward College Foundation, Inc.**
**Schedule of Receipts, Expenditures and**
**Fund Balances for Broward Futures Scholarship Fund**
**For the Years Ended December 31, 2017 and 2016**

The Broward Futures Scholarship Fund participated in the Dr. Phillip Benjamin Matching Grant Program. The balances for permanently restricted funds represent private contributions and funds from the Dr. Phillip Benjamin Academic Improvement Trust Fund (AITF). The following summarizes the fund balances and activity in the Broward Futures Scholarship Fund for the years ended December 31, 2017 and 2016:

| | Temporarily Restricted | Permanently Restricted |
|---|---|---|
| Balances, January 1, 2016 | $ 593,111 | $ 2,509,899 |
| Investment activity | 260,252 | - |
| Less scholarship disbursements | (111,014) | - |
| Less management fees | (76,180) | - |
| Balances, December 31, 2016 | 666,169 | 2,509,899 |
| Investment activity | 469,988 | - |
| Less scholarship disbursements | (90,215) | - |
| Less management fees | (74,067) | - |
| Balances, December 31, 2017 | $ 971,875 | $ 2,509,899 |

# INTERNAL CONTROLS
# AND COMPLIANCE

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.
Fort Lauderdale, Florida

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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2018.

**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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 14, 2018