

Florida State College at Jacksonville Foundation, Inc. Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and activities of Florida State College at Jacksonville Foundation, Inc. (the "Foundation") for the years ended September 30, 2018 and 2017, and should be read in conjunction with the financial statements and related notes.

The Foundation is a direct-support organization and a component unit of Florida State College at Jacksonville (the "College"), a governmental agency. The Foundation's mission is to secure financial resources for Florida State College at Jacksonville to provide students in need access to an affordable, quality education and to enhance the lives and the economic development of Northeast Florida.

The Foundation's financial statements are presented on an accrual basis, which includes (1) assets and liabilities as current and noncurrent; (2) revenues and expenses as operating and non-operating; (3) the use of the direct method for the statement of cash flows; and (4) management's discussion and analysis of the financial results.

The MD&A focuses on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

Pursuant to *GASB Statement No. 35*, the Foundation's financial report consists of these basic financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements

**Florida State College at Jacksonville Foundation, Inc.
Management's Discussion and Analysis**

FINANCIAL HIGHLIGHTS

	September 30, 2018	September 30, 2017	September 30, 2016 (Three Months Ended)
	\$	\$	\$
Contributions	931,102	1,640,883	359,697
Permanent endowments (included)	94,452	544,250	52,097
Scholarships	535,716	629,924	60,486
Artist Series - Net operating income	216,406	(143,853)	(202,568)
Patron contributions (included)	209,722	186,381	-
Unearned ticket revenue	2,896,560	1,810,176	1,729,953
Net appreciation in investments	3,874,411	5,683,435	1,442,909
Net investment income	551,054	447,045	118,489
Change in net position	3,452,527	4,930,824	1,617,154
Net position, end of year	54,893,354	51,440,827	46,510,003

The \$2,896,560 in unearned ticket revenue for the Artist Series is a result of advance ticket sales for the upcoming 2019 season, which typically starts in November/December. These advance ticket sales speak to the high renewal rate of the Artist Series' annual subscribers and continued community interest in the various shows that are presented.

Cash contributions to the Foundation for the years ended September 30, 2018 and 2017, include major gifts from donors such as Florida Blue Foundation, the Weaver Foundation, the Chartrand Family Foundation, First Florida Credit Union, and The Players Championship.

State of Florida Grant Programs (Dr. Philip Benjamin Matching). At September 30, 2018 and 2017, the Foundation had \$10.5 million of state matching funds for eligible donations (which are temporarily suspended) that may be funded by the State at a future date.

First Generation Matching Grant Program provided additional scholarship funding. Approved by the Florida Legislature, the program provides state matching funds for unrestricted contributions received by the Foundation and dedicated for this purpose at the sole discretion of the Foundation. In fiscal year 2018, the Foundation received \$165,171 of private contributions and a 100% state match allotment on those funds. The primary purpose of the program is to provide scholarship opportunities to students who are first-generation college students in their family.

**Florida State College at Jacksonville Foundation, Inc.
Management's Discussion and Analysis**

STATEMENT OF NET POSITION

The purpose of the Statement of Net Position is to present the Foundation's financial condition as of the end of the fiscal year. The Statement of Net Position will enable the reader to determine the Foundation's ability to continue its operations, amounts owed to vendors and creditors, and the assets that are available to pay expenditures of the Foundation.

The following represents a condensed statement of net position and the changes in the Foundation's assets, liabilities and net position:

Condensed Statements of Net Position

	September 30, 2018	September 30, 2017	September 30, 2016	FYE 18-17 Change	FYE 17-16 Change
	\$	\$	\$	\$	\$
Assets					
Current	4,269,580	2,823,709	2,790,367	1,445,871	33,342
Noncurrent	53,747,530	50,562,161	45,530,136	3,185,369	5,032,025
Total Assets	\$58,017,110	\$53,385,870	\$48,320,503	4,631,240	5,065,367
Liabilities					
Total Liabilities	3,123,756	1,945,043	\$1,810,500	1,178,713	134,543
Net Position					
Restricted by donors	2,603,027	3,327,244	4,480,477	(724,217)	(1,153,233)
Permanent endowments	24,731,221	22,069,413	19,434,818	2,661,808	2,634,595
Unrestricted:					
Board appropriated	26,848,101	26,002,128	22,523,744	845,973	3,478,384
Unappropriated	711,005	42,042	70,964	668,963	(28,922)
Total Net Position	54,893,354	51,440,827	\$46,510,003	3,452,527	4,930,824
Total Liabilities and Net Position	58,017,110	53,385,870	\$48,320,503	4,631,240	5,065,367

STATEMENT OF NET POSITION (CONTINUED)

Current Assets

The increase in current assets at September 30, 2018 is largely due to accounts receivable due from the College of \$2,581,095 associated with unearned revenue from prepaid subscribers and advance ticket sales for the 2019 Artist Series season.

The slight increase in current assets in the prior fiscal year is due to unearned revenue from prepaid subscribers and advance ticket sales for the 2018 Artist Series season in the total amount of \$1,810,176 at September 30, 2017.

Noncurrent Assets

The 7% increase in investments from \$50.3 million to \$53.6 million is due largely to an increase in the fair value of certain endowed assets during the year ended September 30, 2018, as was the 11% increase in investments from \$45.4 million to \$50.3 million is due largely to an increase in the fair value of certain endowed assets during the year ended September 30, 2017. A more detailed breakdown of the Foundation's investments may be found in Notes 3, 5 and 6, which are an integral part of these financial statements.

Liabilities

Total liabilities from the 2017 period to 2018 period increased by 61%, from \$1.9 million to \$3.1 million. Total liabilities from the 2016 period to 2017 period increased by 7%, from \$1.8 million to \$1.9 million, and can be ascribed to an increase in unearned ticket revenues associated with Artist Series' activities in both years.

Net Position

Net position at September 30, 2018 totaled \$54.9 million, an increase of \$3.4 million, or 7% from total net position of \$51.4 million as of September 30, 2017.

Net position at September 30, 2017 totaled \$51.4 million, an increase of \$4.9 million, or 10% from total net position of \$46.5 million as of September 30, 2016. Net position consists of two categories as follows:

1) ***Restricted assets*** consist of the following:

- *Restricted by donors - expendable* represents amounts which are available for spending in accordance with the donor's specified criteria; and
- *Quasi endowments - expendable* represents assets restricted by the Foundation as matching funds for the Dr. Philip Benjamin Matching Grant Program and for the Foundation's operational needs; and

STATEMENT OF NET POSITION (CONTINUED)

• *Permanent endowments - nonexpendable* represents the Foundation's restricted nonexpendable endowment funds which are required to be held in perpetuity.

2) **Unrestricted assets** represent amounts available to the Foundation for operational purposes in support of its mission.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The purpose of the Statement of Revenues, Expenses and Changes in Net Position is to provide the details of the operating and non-operating activities for the fiscal year. This includes the revenues displayed by major source, expenses, and gains and losses received or incurred by the Foundation.

The Statement of Revenues, Expenses, and Changes in Net Position includes the following categories:

- *Operating Revenues* are revenues received from donor cash and noncash contributions, in-kind support from the College, grants and other program revenues.
- *Operating Expenses* represent expenses incurred for goods and services provided in return for the operating revenues to carry out the mission of the Foundation. Operating expenses include scholarships to College students, salaries and benefits, institutional and program support to the College, education programs, and management and general expenses supporting the Foundation operations, exclusive of Artist Series activities.
- *Net Operating Income/(Loss)* represents the amount of operating revenues in excess of the year's operating expenses and does not include non-operating revenue.
- *Artist Series Activities* represents revenues and expenses related to the Foundation's Artist Series events, shows and other activities.
- *Non-operating Revenues* represents amounts received from sources for which no services are provided by the Foundation, e.g., investment income from endowed and other investments.
- *Additions to Endowments* represent contributions received for permanent endowments.

The change in net position is the result of the fiscal year's excess (deficiency) of revenues over expenses.

Florida State College at Jacksonville Foundation, Inc.
Management's Discussion and Analysis

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

In summary, the Foundation is structured as follows:

Fund Development: Solicitation of donors for endowed and non-endowed contributions for scholarships, programs, and other needs of the College.

Foundation Support: Financial accounting, investment administration and operations support for the Foundation. The allocation of funds and determination of scholarship allocations are also determined therein.

Artist Series: Production of Broadway shows and performing arts programs from which the Foundation receives the net operating income at the end of the Series season.

Non-Operating Revenues (Expenses): Amounts received from sources for which no services are provided by the Foundation, e.g., investment income from endowed and other investments.

Additions to Endowments: Contributions received for permanent endowments.

**Florida State College at Jacksonville Foundation, Inc.
Management's Discussion and Analysis**

Condensed Statements of Revenue, Expenses and Changes in Net Position

	Year Ended September 30, 2018	Year Ended September 30, 2017	Three-Month Period Ended September 30, 2016	FYE 18-17 Change	FYE 17-16 Change
	\$	\$	\$	\$	\$
Fund Development					
Revenues	1,081,370	1,560,107	489,248	(478,737)	1,070,859
Program services	(1,417,244)	(2,285,935)	(62,793)	868,691	2,223,142
Foundation support	(904,922)	(874,225)	(220,228)	(30,697)	653,997
Operating income (loss)	(1,240,796)	(1,600,053)	206,227	359,257	(1,819,799)
Artist Series					
Revenues from shows	8,349,876	6,013,371	137,963	2,336,505	5,875,408
Expenses of shows	(8,133,470)	(6,157,224)	(340,531)	(1,976,246)	(5,816,693)
Net activities	216,406	(143,853)	(202,568)	360,259	58,715
Non-operating revenues	4,382,465	6,130,480	1,561,398	(1,748,015)	4,569,082
Change in net position	3,452,527	4,930,824	1,617,154	(1,478,297)	3,313,670
Total net position	54,893,354	51,440,827	46,510,003	3,452,527	4,930,824

The Statement of Revenues, Expenses and Changes in Net Position is presented as part of the basic financial statements. For the years ended September 30, 2018 and 2017, the Foundation's increase in net position before contributions to endowments were \$3.4 and \$4.4 million, respectively, primarily due to the increase in market values for investments.

Fund Development

For the years ended September 30, 2018 and 2017, the Foundation received major gifts from donors such as the Florida Blue Foundation, the Weaver Foundation, the Chartrand Family Foundation, First Florida Credit Union, and The Players Championship.

**Florida State College at Jacksonville Foundation, Inc.
Management's Discussion and Analysis**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

Beginning July 1, 2017, the Foundation assumed responsibility for all travel, supplies, and the Foundation Executive Director's salary and benefits. In addition, beginning July 1, 2018, the Foundation assumed responsibility for one-half salary and benefit costs of the Foundation staff, and certain operational costs. For the years ended September 30, 2018 and 2017, the Foundation received in-kind support from the College in the amount of \$443,448 and \$590,582, respectively, in relation to salaries and benefits.

Artist Series

The Artist Series had \$2,896,560 in advanced ticket sales for the 2019 season, an increase of \$1,086,384 from the previous year end 2018 season.

The Artist Series had \$1,810,176 in advanced tickets sales for the 2018 season, an increase of \$80,223 from the previous year end 2017 season.

The Artist Series is a self-sustaining auxiliary service and, as such, receives no in-kind support from the College for any expenses, including the salaries and benefits of its staff. The net income of \$216,406 for the year ended September 30, 2018, resulted in an amount due from the College which is remitted to the Foundation from the College's resources.

The net loss of \$143,853 for the twelve-month period ended September 30, 2017, resulted in an amount due to the College which was remitted to the College from the resources of the Foundation.

Non-operating Revenues and Expenses

Year Ended September 30, 2018

Non-operating Revenues/Expenses totaled a \$4.4 million net gain, which includes interest and dividend income of \$644,342. Investment gains of \$3.9 million are attributed primarily to market value appreciation in the Foundation's investment portfolio.

Year Ended September 30, 2017

Non-operating Revenues/Expenses totaled a \$6.1 million net gain, which includes interest and dividend income of \$532,744. Investment gains of \$5.7 million are attributed to significant market value appreciation in the Foundation's investment portfolio.

Florida State College at Jacksonville Foundation, Inc.
Management's Discussion and Analysis

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

Additions to Endowments

Year Ended September 30, 2018

Permanent Endowments. The Foundation received \$94,452 in donor contributions to its permanent endowments. There were no state matching funds received in fiscal 2018.

Year Ended September 30, 2017

Permanent Endowments. The Foundation received \$544,250 in donor contributions to its permanent endowments. There were no state matching funds received in fiscal 2017.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides certain information about the Foundation's financial results by reporting the major sources and uses of cash and cash equivalents and indicates the cash provided by and used for operating, capital and related financing activities, and investing activities.

Operating Activities include funds received from private donors, projects, grants and other sources, and Artist Series activities and payments made to employees, suppliers for goods and services, and the College for programs, institutional and facilities support for Foundation operations.

Noncapital Financing Activities include funds received from donors for contributions to permanent endowments.

Investing Activities represent funds used to purchase investments and funds received from proceeds of investment sales, interest and dividends, and distributions from private equity funds.

CAPITAL ASSETS

The Foundation had no capital assets at September 30, 2018 or 2017.



**Florida State College at Jacksonville Foundation, Inc.
Management's Discussion and Analysis**

ECONOMIC OUTLOOK

The financial position of the Foundation is directly affected by certain economic conditions of Jacksonville's local economy. Through private and corporate contributions, as well as net operating revenues from Artist Series activities, the Foundation is expected to be able to directly support Florida State College at Jacksonville's efforts to continue providing scholarship support to students, the development of new programs to meet the ever-changing needs of employers and provide a leadership role in educational and community services for Duval and Nassau counties in northeast Florida. The Foundation has no knowledge of any current facts or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Foundation's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Cleve E. Warren, Executive Director
Florida State College at Jacksonville Foundation, Inc.
501 West State Street, Suite 104
Jacksonville, Florida 32202

Florida State College at Jacksonville Foundation, Inc.
Statements of Net Position

<i>September 30,</i>	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 1,404,006	\$ 978,423
Pledges receivable, due within one year (Note 4)	150,000	150,000
Due from Florida State College at Jacksonville (Note 11)	2,581,905	1,548,198
Prepaid expenses	48,134	59,620
Total current assets	4,184,045	2,736,241
Noncurrent assets:		
Pledges receivable, due after one year (Note 4)	175,481	299,047
Investments, at fair value (Notes 3, 5 and 6)	53,572,049	50,263,114
Restricted cash, agency endowment (Note 3)	85,535	87,468
Total noncurrent assets	53,833,065	50,649,629
Total assets	\$ 58,017,110	\$ 53,385,870
LIABILITIES AND NET POSITION		
Liabilities		
Current liabilities:		
Due to Florida State College at Jacksonville (Note 11)	\$ 141,661	\$ 47,399
Unearned revenues - Artist Series (Note 2)	2,896,560	1,810,176
Total current liabilities	3,038,221	1,857,575
Funds held as agency endowment (Note 7)	85,535	87,468
Total liabilities	3,123,756	1,945,043
Net Position		
Restricted:		
Restricted by donors - expendable	2,603,027	3,327,244
Permanent endowments - nonexpendable	24,731,221	22,069,413
Unrestricted:		
Board appropriated	26,848,101	26,002,128
Unappropriated	711,005	42,042
Total net position	54,893,354	51,440,827
Total liabilities and net position	\$ 58,017,110	\$ 53,385,870

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

Florida State College at Jacksonville Foundation, Inc.
Statements of Revenues, Expenses and Changes in Net Position

<i>Year Ended September 30,</i>	2018	2017
Program and Fund Development Activities		
Operating revenues:		
Contributions	\$ 626,928	\$ 910,252
In-kind support from Florida State College at Jacksonville	443,448	605,312
Noncash contributions	3,100	43,036
Other revenues	7,894	1,507
Total operating revenues from program and fund development activities	1,081,370	1,560,107
Operating expenses:		
Program services:		
Scholarships	535,716	629,924
Institutional and program support	794,749	1,583,840
Education programs	86,779	72,171
Total program services	1,417,244	2,285,935
Supporting services:		
Salaries and benefits	664,842	633,147
Management and general	240,080	241,078
Total supporting services	904,922	874,225
Total operating expenses from program and fund development activities	2,322,166	3,160,160
Operating loss from program and fund development activities	(1,240,796)	(1,600,053)

(continued on next page)

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

Florida State College at Jacksonville Foundation, Inc.
Statements of Revenues, Expenses and Changes in Net Position

<i>Year Ended September 30,</i>	2018	2017
Artist Series Activities		
Revenues from performing arts events and shows	7,795,203	5,538,918
Other revenues from Artist Series	292,914	201,220
Contributions	209,722	186,381
Grants	52,037	86,852
Expenses of performing arts events	(7,221,672)	(5,184,507)
Salaries and benefits	(911,798)	(884,086)
Artist series agency fund expenses	-	(88,631)
Total Artist Series activities, net	216,406	(143,853)
Operating loss	(1,024,390)	(1,743,906)
Non-Operating Revenues (Expenses)		
Interest and dividends, net of investment fees	551,054	447,045
Net appreciation in investments	3,874,411	5,683,435
Loss on sale of real estate	(43,000)	-
Total non-operating revenues	4,382,465	6,130,480
Change in net position before contributions to endowments	3,358,075	4,386,574
Contributions to permanent endowments	94,452	544,250
Change in net position	3,452,527	4,930,824
Net position, beginning of year	51,440,827	46,510,003
Net position, end of year	\$ 54,893,354	\$ 51,440,827

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

Florida State College at Jacksonville Foundation, Inc.
Statements of Cash Flows

<i>Year Ended September 30,</i>	2018	2017
Cash flows from operating activities:		
Received from private donors	\$ 960,216	\$ 823,672
Received from projects, grants and other sources	352,845	289,579
Received from performing arts productions	7,847,880	5,539,865
(Payments from) received in funds held as agency endowment, net	(1,933)	6,921
Payments to College for scholarships	(535,716)	(629,924)
Payments to employees and suppliers for goods and services	(8,575,975)	(6,450,159)
Payments to College for programs and facilities support	(794,749)	(1,583,840)
Net cash used for operating activities	(747,432)	(2,003,886)
Cash flows from noncapital financing activities:		
Contributions to permanent endowments	94,452	544,250
Net cash provided by noncapital financing activities	94,452	544,250
Cash flows from investing activities:		
Purchases of investments	(6,973,849)	(10,171,550)
Proceeds from sales of investments	6,216,768	10,021,312
Distributions from private equity investments	1,270,657	1,009,289
Proceeds from sale of real estate	12,000	-
Interest and dividends received, net of investment fees	551,054	447,045
Net cash provided by investing activities	1,076,630	1,306,097
Net increase (decrease) in cash and cash equivalents, including restricted	423,650	(153,539)
Cash and cash equivalents, including restricted:		
Beginning of year	1,065,891	1,219,430
End of year	\$ 1,489,541	\$ 1,065,891
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (1,024,390)	\$ (1,743,906)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Noncash contributions	(3,100)	(43,036)
Decrease (increase) in pledges receivable	123,566	(272,961)
Increase in amount due from College	(1,033,707)	(79,276)
Decrease (increase) in prepaid expenses	11,486	(7,605)
Decrease in cash surrender value of life insurance	-	8,355
Increase in amount due to College	94,262	47,399
Increase in unearned revenues - Artist Series	1,086,384	80,223
(Decrease) increase in funds held as agency endowment	(1,933)	6,921
Net cash used for operating activities	\$ (747,432)	\$ (2,003,886)

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