

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. and Subsidiary (the “Foundation”) for the years ended September 30, 2019 and 2018, and should be read in conjunction with the consolidated 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 consolidated 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 consolidated financial statements. It should be read in conjunction with the basic consolidated financial statements and accompanying notes.

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

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

Financial Highlights

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Contributions	\$ 936,219	\$ 931,102	\$ 1,640,883
Permanent endowments (included)	168,240	94,452	544,250
Scholarships	691,665	535,716	629,924
Artist Series – Net operating income	225,387	216,406	(143,853)
Patron contributions (included)	297,102	209,722	186,381
Unearned ticket revenue	8,070,046	2,896,560	1,810,176
Net appreciation in investments	2,261,364	3,874,411	5,683,435
Net investment income	513,502	551,054	447,045
Change in net position	1,691,212	3,452,527	4,930,824
Net position, end of year	56,584,566	54,893,354	51,440,827

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The \$8,070,046 in unearned ticket revenue for the Artist Series is a result of advance ticket sales for the upcoming 2020 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, 2019 and 2018, 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, 2019 and 2018, 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 2019, the Foundation received \$78,327 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.

Consolidated Statements of Net Position

The purpose of the Consolidated Statements of Net Position is to present the Foundation's financial condition as of the end of the fiscal year. The Consolidated Statements 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 consolidated statements of net position and the changes in the Foundation's assets, liabilities and net position:

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Condensed Consolidated Statements of Net Position

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>FY 19-18 Change</u>	<u>FY 18-17 Change</u>
Assets					
Current	\$ 9,813,048	\$ 4,184,045	\$ 2,823,709	\$ 5,629,002	\$ 1,360,336
Noncurrent	<u>55,502,029</u>	<u>53,833,065</u>	<u>50,562,161</u>	<u>1,616,412</u>	<u>3,270,904</u>
Total assets	<u>\$ 65,315,077</u>	<u>\$ 58,017,110</u>	<u>\$ 53,385,870</u>	<u>\$ 7,245,414</u>	<u>\$ 4,631,240</u>
Liabilities					
Total liabilities	<u>\$ 8,730,511</u>	<u>\$ 3,123,756</u>	<u>\$ 1,945,043</u>	<u>\$ 5,809,372</u>	<u>\$ 1,178,713</u>
Net Position					
Restricted by donors	2,049,693	2,603,027	3,327,244	(2,603,027)	(724,217)
Permanent endowments	25,865,924	24,731,221	22,069,413	664,898	2,661,808
Unrestricted:					
Board appropriated	27,116,407	26,848,101	26,002,128	3,469,796	845,973
Unappropriated	<u>1,552,542</u>	<u>711,005</u>	<u>42,042</u>	<u>(95,625)</u>	<u>668,963</u>
Total net position	<u>56,584,566</u>	<u>54,893,354</u>	<u>51,440,827</u>	<u>1,436,042</u>	<u>3,452,527</u>
Total liabilities and net position	<u>\$ 65,315,077</u>	<u>\$ 58,017,110</u>	<u>\$ 53,385,870</u>	<u>\$ 7,245,414</u>	<u>\$ 4,631,240</u>

Current assets

The increase in current assets in the current fiscal year is largely due to accounts receivable due from the College of \$7,875,996 associated with unearned revenue from prepaid subscribers and advance ticket sales for the 2019 Artist Series season.

The increase in current assets in the prior fiscal year 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.

Noncurrent assets

The 3% increase in investments from \$53.6 million to \$54.7 million is due largely to an increase in the fair value of certain endowed assets during the year ended September 30, 2019, as was 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. A more detailed breakdown of the Foundation's investments may be found in Notes 3, 4, 5, and 6 which are an integral part of these consolidated financial statements.

Liabilities

Total liabilities from the 2018 period to 2019 period increased by 185%, from \$3.1 million to \$8.9 million. Total liabilities from the 2017 period to 2018 period increased by 61%, from \$1.9 million to \$3.1 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, 2019 totaled \$56.5 million, an increase of \$1.6/ million, or 3% from total net position of \$54.9 million as of September 30, 2018.

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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 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
- 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.

Consolidated Statements of Revenues, Expenses, and Changes in Net Position

The purpose of the Consolidated Statements 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 Consolidated Statements 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.

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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.

Condensed Consolidated Statements of Revenue, Expenses and Changes in Net Position

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>FY 19-18 Change</u>	<u>FY 18-17 Change</u>
Fund Development					
Revenues	\$ 840,385	\$ 1,081,370	\$ 1,560,107	\$ (240,985)	\$ (478,737)
Program services	(1,371,278)	(1,330,465)	(2,285,935)	(40,813)	955,470
Foundation support	<u>(946,388)</u>	<u>(991,701)</u>	<u>(874,225)</u>	<u>45,313</u>	<u>(117,476)</u>
Operating income (loss)	<u>(1,477,281)</u>	<u>(1,240,796)</u>	<u>(1,600,053)</u>	<u>(236,487)(5)</u>	<u>359,257</u>
Artist Series					
Revenues from shows	6,160,342	8,349,876	6,013,371	(2,189,534)	2,336,505
Expenses of shows	<u>(5,934,955)</u>	<u>(8,133,470)</u>	<u>(6,157,224)</u>	<u>2,198,515</u>	<u>(1,976,246)</u>
Net activities	<u>225,387</u>	<u>216,406</u>	<u>(143,853)</u>	<u>8,981</u>	<u>360,259</u>
Net Investment Income	<u>2,774,866</u>	<u>4,382,465</u>	<u>6,130,480</u>	<u>(1,607,599)</u>	<u>(1,748,015)</u>
Changes in net position	<u>1,522,970(2)</u>	<u>3,358,075</u>	<u>4,386,574</u>	<u>(1,835,105)</u>	<u>(1,028,499)</u>
Contribution to permanent endowments	<u>168,240</u>	<u>94,452</u>	<u>544,250</u>	<u>73,788</u>	<u>(449,798)</u>
Total net position	<u>\$ 56,584,566</u>	<u>\$ 54,893,354</u>	<u>\$ 51,440,827</u>	<u>\$ 1,691,210</u>	<u>\$ 3,452,527</u>

The Consolidated Statement of Revenues, Expenses and Changes in Net Position is presented as part of the basic consolidated financial statements. For the years ended September 30, 2019 and 2018, the Foundation's increase in net position before contributions to endowments were \$1.6 and \$3.4 million, respectively, primarily due to the increase in market values for investments.

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Fund development

For the years ended September 30, 2019 and 2018, 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.

Beginning July 1, 2018, the Foundation assumed responsibility for one-half salary and benefit costs of the Foundation staff, and certain operational costs. In addition, beginning July 1, 2019, the Foundation assumed responsibility for all costs of the Foundation staff, and certain operational costs. For the years ended September 30, 2019 and 2018, the Foundation received in-kind support from the College in the amount of \$211,812 and \$443,448, respectively, in relation to salaries and benefits.

Artist Series

The Artist Series had \$8,070,046 in advanced ticket sales for the 2020 season, an increase of \$5,173,486 from the previous year end 2019 season.

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 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

\$225,387 for the year ended September 30, 2019, resulted in an amount due from the College which is remitted to the Foundation from the College's resources.

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.

Non-operating revenues and expenses

Year Ended September 30, 2019

Non-operating Revenues/Expenses totaled a \$2.8 million net gain, which includes interest and dividend income of \$599,258. Investment gains of \$2.2 million are attributed primarily to market value appreciation in the Foundation's investment portfolio.

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.

Additions to endowments

Year Ended September 30, 2019

Permanent Endowments. The Foundation received \$168,240 in donor contributions to its permanent endowments. There were no state matching funds received in fiscal 2019.

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.

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Consolidated Statements of Cash Flows

The Consolidated Statements 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, 2019 or 2018.

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.

Subsequent to the balance sheet date, the outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization. Although it is not possible to reliably estimate the length or severity of the pandemic, it could have an adverse financial impact and result in a delay in cash flow and other material adverse effects. The Foundation has estimated approximately 45% of advance Artist Series ticket sales collected by the College at September 30, 2019 will be returned (see Note 10).

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. and Subsidiary
Consolidated Statements of Net Position
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,317,614	\$ 1,404,006
Pledges receivable, current	200,000	150,000
Due from Florida State College at Jacksonville	7,875,996	2,581,905
Prepaid expenses	419,438	48,134
Total current assets	<u>9,813,048</u>	<u>4,184,045</u>
Noncurrent assets:		
Pledges receivable long-term, net	146,892	175,481
Investments, fair value	55,266,674	53,572,049
Restricted cash, agency endowment	88,463	85,535
Total assets	<u>\$ 65,315,077</u>	<u>\$ 58,017,110</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Due to Florida State College at Jacksonville	\$ 572,001	\$ 141,661
Unearned revenues - Artist Series	8,070,047	2,896,560
Total current liabilities	<u>8,642,048</u>	<u>3,038,221</u>
Funds held as agency endowment	88,463	85,535
Total liabilities	<u>8,730,511</u>	<u>3,123,756</u>
Net Position:		
Restricted:		
Restricted by donors - expendable	2,049,693	2,603,027
Permanent endowments - nonexpendable	25,865,924	24,731,221
Unrestricted:		
Board appropriated	27,116,407	26,848,101
Unappropriated	1,552,542	711,005
Total net position	<u>56,584,566</u>	<u>54,893,354</u>
Total liabilities and net position	<u>\$ 65,315,077</u>	<u>\$ 58,017,110</u>