

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 twelve-month period ended September 30, 2017 and the three-month period ended September 30, 2016, respectively, and should be read in conjunction with the financial statements and related notes. Beginning on July 1, 2016, the Foundation's Board of Directors (the "Board") approved the change of the Foundation's fiscal year from July 1 - June 30 to October 1 - September 30. This change resulted in a three-month reporting period from July 1, 2016 to September 30, 2016.

The rationale for the change in fiscal year was to facilitate the timely reconciliation of the audited results of the Foundation with the June 30 fiscal year end "Annual Financial Report" of the College to the State Auditor General.

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 consolidated 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 the Financial Statements

**Florida State College at Jacksonville Foundation, Inc.
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FINANCIAL HIGHLIGHTS

	Twelve Month Period Ended September 30, 2017	Three Month Period Ended September 30, 2016
	\$	\$
Contributions	1,640,883	359,697
Permanent endowments (included)	544,250	52,097
Scholarships	629,924	60,486
Artist Series - Net operating income	(143,853)	(202,568)
Patron contributions (included)	186,381	-0-
Unearned ticket revenue	1,810,176	1,729,953
Net appreciation in investments	5,683,435	1,442,909
Net investment income	447,045	118,489
Change in net position	4,930,824	1,617,154
Net position, end of year	51,440,827	46,510,003

The \$1,810,176 in unearned ticket revenue for the Artist Series is a result of advance ticket sales for the upcoming 2018 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 twelve-month period ended September 30, 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, 2017 and 2016, the Foundation had \$10.5 million and \$10.1 million, respectively, of state matching funds for eligible donations (which are temporarily suspended) that are expected to 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 2017, the Foundation received \$79,041 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.

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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

	Twelve-Month Period Ended September 30, 2017		Three-Month Period Ended September 30, 2016	Change
	\$		\$	\$
Assets				
Current	2,823,709		2,790,367	33,342
Noncurrent	50,562,161		45,530,136	5,032,025
Total Assets	\$53,385,870		\$48,320,503	5,065,367
Liabilities				
Total Liabilities	1,945,043		\$1,810,500	134,543
Net Position				
Restricted by donors	1,076,293		2,428,358	(1,352,065)
Permanent endowments	48,058,022		41,374,693	6,683,329
Unrestricted	2,306,512		2,706,952	(400,440)
Total Net Position	51,440,827		\$46,510,003	4,930,824
Total Liabilities and Net Position	53,385,870		\$48,320,503	5,065,367

Current Assets

The slight increase in current assets 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.

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Noncurrent Assets

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 twelve-month period 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 period to 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.

Net Position

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
 - *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.

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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.

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.

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Condensed Statements of Revenue, Expenses and Changes in Net Position

	Twelve-Month Period Ended September 30, 2017		Three-Month Period Ended September 30, 2016	Change
	\$		\$	\$
Fund Development				
Revenues	1,560,107		489,248	1,057,340
Program services	(2,285,935)		(62,793)	2,223,142
Foundation support	(874,225)		(220,228)	653,997
Operating income (loss)	(1,600,053)		206,227	(1,819,799)
Artist Series				
Revenues from shows	6,013,371		137,963	5,875,408
Expenses of shows	(6,157,224)		(340,531)	5,816,693
Net activities	(143,853)		(202,568)	58,715
Non-operating revenues	6,130,480		1,561,398	4,569,082
Change in net position	4,930,824		1,617,154	3,313,670
Total net position	51,440,827		46,510,003	4,930,824

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

For the three-month period ended September 30, 2016, the Statement of Revenues, Expenses and Changes in Net Position indicated a \$1.6 million increase in net position from the prior fiscal year.

Fund Development

For the twelve-month period ended September 30, 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.

For the three-month period ended September 30, 2016, all Fund Development and Foundation Support salaries were paid by the College and treated as in-kind support. However, beginning on July 1, 2017, the Foundation assumed responsibility for all travel, supplies, and the Foundation Executive Director's salary and benefits. For the twelve-month period ended September 30, 2017, the Foundation received in-kind support from the College in the amount of \$605,313.

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

Artist Series

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 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

Twelve-Month Period 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 \$5.6 million are attributed to market value appreciation in the Foundation's investment portfolio.

Three-Month Period Ended September 30, 2016

Non-operating Revenue/Expenses totaled a \$1.5 million net gain, which includes interest and dividend income of \$118,489. Investment gains of \$1.4 million are attributable to market value appreciation in the Foundation's investment portfolio.

Additions to Endowments

Twelve-Month Period 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.

Three-Month Period Ended September 30, 2016

Permanent Endowments. The Foundation received \$52,097 in donor contributions to its permanent endowments. No state matching funds were received during the three-month period ended September 30, 2016.

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.



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Capital and Related 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, 2017 or 2016.

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 surplus from Artist Series activities, the Foundation is expected to be able to directly support Florida State College at Jacksonville's efforts to continue 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.
Consolidated Statements of Net Position

<i>September 30,</i>	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 1,065,891	\$ 1,219,430
Pledges receivable, due within one year (Note 4)	150,000	50,000
Due from Florida State College at Jacksonville (Note 10)	1,548,198	1,468,922
Prepaid expenses	59,620	52,015
Total current assets	2,823,709	2,790,367
Noncurrent assets:		
Pledges receivable, due after one year (Note 4)	299,047	126,086
Investments, at fair value (Notes 3, 5 and 6)	50,263,114	45,395,695
Cash surrender value of life insurance	-	8,355
Total noncurrent assets	50,562,161	45,530,136
Total assets	\$ 53,385,870	\$ 48,320,503
LIABILITIES AND NET POSITION		
Liabilities		
Current liabilities:		
Due to Florida State College at Jacksonville (Note 10)	\$ 47,399	\$ -
Unearned revenues - Artist Series (Note 2)	1,810,176	1,729,953
Total current liabilities	1,857,575	1,729,953
Funds held as agency endowment (Note 7)	87,468	80,547
Total liabilities	1,945,043	1,810,500
Net Position		
Restricted:		
Restricted by donors - expendable	1,076,293	2,428,358
Permanent endowments - nonexpendable	48,058,022	41,374,693
Unrestricted	2,306,512	2,706,952
Total net position	51,440,827	46,510,003
Total liabilities and net position	\$ 53,385,870	\$ 48,320,503

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

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

	Year Ended September 30, 2017	Three Months Ended September 30, 2016
<i>Program and Fund Development Activities</i>		
Operating revenues:		
Contributions	\$ 910,252	307,600
In-kind support from Florida State College at Jacksonville	605,312	174,459
Noncash contributions	43,036	-
Other revenues	1,507	7,189
Total operating revenues from program and fund development activities	1,560,107	489,248
Operating expenses:		
Program services:		
Scholarships	629,924	60,486
Institutional and program support	1,583,840	-
Education programs	72,171	2,307
Total program services	2,285,935	62,793
Supporting services:		
Salaries and benefits	633,147	171,105
Management and general	241,078	49,123
Total supporting services	874,225	220,228
Total operating expenses from program and fund development activities	3,160,160	283,021
Operating income (loss) from program and fund development activities	(1,600,053)	206,227

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

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

(continued from preceding page)

	Year Ended September 30, 2017	Three Months Ended September 30, 2016
<i>Artist Series Activities</i>		
Revenues from performing arts events and shows	5,538,918	115,680
Other revenues from Artist Series	201,220	-
Contributions	186,381	-
Grants	86,852	22,283
Expenses of performing arts events	(5,184,507)	(127,472)
Salaries and benefits	(884,086)	(213,059)
Artist series agency fund expenses	(88,631)	-
Total Artist Series activities, net	(143,853)	(202,568)
Operating income (loss) before non-operating revenues	(1,743,906)	3,659
<i>Non-Operating Revenues (Expenses)</i>		
Interest and dividends, net of investment fees	447,045	95,132
Net appreciation in investments	5,683,435	1,466,266
Total non-operating revenues	6,130,480	1,561,398
Change in net position before contributions to endowments	4,386,574	1,565,057
Contributions to permanent endowments	544,250	52,097
Change in net position	4,930,824	1,617,154
Net position, beginning of year	46,510,003	44,892,849
Net position, end of year	\$ 51,440,827	\$ 46,510,003

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

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

	Year Ended September 30, 2017	Three Months Ended September 30, 2016
Cash flows from operating activities:		
Received from private donors	\$ 823,672	\$ 131,514
Received from projects, grants and other sources	289,579	29,472
Received from performing arts productions	5,539,865	484,815
Received in funds held as agency endowment, net	6,921	1,795
Payments to College for scholarships	(629,924)	(60,486)
Payments to employees and suppliers for goods and services	(6,450,159)	(388,607)
Payments to College for programs and facilities support	(1,583,840)	(75,000)
Net cash (used for) provided by operating activities	(2,003,886)	123,503
Cash flows from capital and related financing activities:		
Contributions to permanent endowments	544,250	52,097
Net cash provided by capital and related financing activities	544,250	52,097
Cash flows from investing activities:		
Purchases of investments	(10,171,550)	(235,847)
Proceeds from sales of investments	10,021,312	23,357
Distributions from private equity investments	1,009,289	168,669
Interest and dividends received, net of investment fees	447,045	95,132
Net cash provided by investing activities	1,306,097	51,311
Net (decrease) increase in cash and cash equivalents	(153,539)	226,911
Cash and cash equivalents:		
Beginning of year	1,219,430	992,519
End of year	\$ 1,065,891	\$ 1,219,430
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ (1,743,906)	\$ 3,659
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Noncash contributions	(43,036)	-
Increase in pledges receivable	(272,961)	(176,086)
Increase in amount due from College	(79,276)	(1,317,542)
(Increase) decrease in prepaid expenses	(7,605)	(43,276)
Decrease in cash surrender value of life insurance	8,355	-
Increase (decrease) in amount due to College	47,399	(75,000)
Increase in unearned revenues - Artist Series	80,223	1,729,953
Increase in funds held as agency endowment	6,921	1,795
Net cash (used for) provided by operating activities	\$ (2,003,886)	\$ 123,503

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