

**DAYTONA STATE COLLEGE  
FOUNDATION, INC.**

**A COMPONENT UNIT OF DAYTONA STATE COLLEGE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
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**DECEMBER 31, 2017 AND 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Daytona State College Foundation, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Daytona State College Foundation, Inc. (the Foundation), a component unit of Daytona State College (the College), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Foundation's 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Foundation'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 Foundation'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.

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Predecessor Auditor's Opinion on Prior Period Financial Statements***

The financial statements of the Foundation for the year ended December 31, 2016, before the restatement described in Note 8, were audited by another auditor whose report dated April 19, 2017, expressed an unmodified opinion on those statements.

As part of our audit of the December 31, 2017 financial statements, we also audited the adjustments described in Note 8 that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

#### ***Correction of an Error***

As discussed in Note 8 to the financial statements, certain errors resulting in overstatement of amounts previously reported for investment in real property and unrealized losses as of December 31, 2016, were discovered during the current year. Accordingly, amounts reported for investment in real property and unrealized losses have been restated in the 2016 financial statements now presented, and adjustments have been made to net position as of December 31, 2016 and 2015, to correct the error. Our opinion is not modified with respect to this matter.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The supplemental information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 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 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 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.

James Moore & Co., P.L.

Daytona Beach, Florida  
May 11, 2018



**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**(A COMPONENT UNIT OF DAYTONA STATE COLLEGE)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017 AND 2016**

The Management of Daytona State College Foundation, Inc. (the "Foundation") offers the readers of the Foundation's financial statements this narrative overview and analysis of the Foundation's financial activities for the years ending December 31, 2017, 2016, and 2015. Management has prepared the financial statements and the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers and we confirm that, to the best of our knowledge and belief, the financial statements are complete and reliable in all material respects.

**FINANCIAL HIGHLIGHTS**

The net position section of the Statements of Net Position represents the funds available to meet the Foundation's ongoing purpose to provide financial assistance to students and funding for critical needs that are beyond the scope of Daytona State College's (the "College") budget.

In fiscal year 2017, the net position of the Foundation increased by \$3,055,869, 12% over fiscal year 2016, due to a solid investment performance of 13% for fiscal 2017. In fiscal year 2016, net position increase by \$1,176,271, 5% over fiscal year 2015.

The Foundation's current assets, restricted by purpose to scholarship or program accounts, were \$3,340,126 in fiscal year 2017, an increase of 15% and \$2,871,741 in fiscal year 2016, an increase of 4% from fiscal year 2015.

The Foundation's noncurrent assets grew to \$25,696,948 in fiscal year 2017 from \$23,109,464 in fiscal year 2016, an increase of \$2,587,484. These amounts reflect the solid investment gain and the adjustment of the fair market of the investment in real property.

Current liabilities have experienced timing swings each year. Fiscal year 2017, at \$181,883, represents a decrease of \$116,385 over fiscal year 2016. Where fiscal year 2016 was more comparable at \$298,268 to fiscal year 2015 at \$237,782. The decrease in current liabilities resulted from the College instituting a timelier process in paying invoices to decrease the payables to the College.

**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**(A COMPONENT UNIT OF DAYTONA STATE COLLEGE)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017 AND 2016**  
(Continued)

**NET POSITION**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Assets:</b>			
Current assets	\$ 3,340,126	\$ 2,871,741	\$ 2,778,089
Noncurrent assets	25,696,948	23,109,464	22,026,845
Total assets	<u>\$ 29,037,074</u>	<u>\$ 25,981,205</u>	<u>\$ 24,804,934</u>
<b>Liabilities:</b>			
Current liabilities	\$ 181,883	\$ 298,268	\$ 237,782
Noncurrent liabilities	-	-	-
Total liabilities	<u>181,883</u>	<u>298,268</u>	<u>237,782</u>
<b>Net position:</b>			
Restricted			
Expendable	14,409,760	12,321,681	12,115,971
Nonexpendable	13,411,363	12,839,796	11,892,922
Unrestricted	1,034,068	521,460	558,259
Total net position	<u>28,855,191</u>	<u>25,682,937</u>	<u>24,567,152</u>
Total liabilities and net position	<u>\$ 29,037,074</u>	<u>\$ 25,981,205</u>	<u>\$ 24,804,934</u>

**OPERATING REVENUES**

The Foundation's expendable contributions from individuals and organizations decreased by \$117,443 to \$791,085 for the year ending December 31, 2017 and increased by \$178,699 to \$908,528 for the year ending December 31, 2016. The increase in contributions for fiscal year 2016 was partly attributable to a generous gift to purchase new equipment for the Health and EMS programs. For the tenth year in a row, the Foundation did not receive State matching grants due to a lack of State funding. The Philip Benjamin Matching and Facility Enhancement Challenge Grant Programs continue to exist under legislative rule, but current year funding depends on available State appropriations. The College continues to provide direct operating support to the Foundation composed primarily of salary, benefits and administrative costs net of any Foundation reimbursement. The Foundation had a lapse of time whereby the Executive Director position vacated and therefore the operating support decreased for fiscal year 2017.

	<u>Operating Revenues</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions	\$ 791,085	\$ 908,528	\$ 729,829
Direct operating support - DSC-in-kind	340,896	382,766	367,611
Other revenues	-	-	-
Total	<u>\$ 1,131,981</u>	<u>\$ 1,291,294</u>	<u>\$ 1,097,440</u>



**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017 AND 2016**  
(Continued)

**OPERATING EXPENSES**

The operating expenses generally associated with the Foundation's basic financial statements consist of student assistance, college programs, community service, fund raising and general operating costs. The primary operating expense for the Foundation is in scholarship and program support to Daytona State College. The Foundation provided \$939,144 in College scholarship and program support for the year ending December 31, 2017 with \$827,584 representing scholarship support. For the year ending December 31, 2016, the Foundation provided \$1,152,673 in College scholarship and program support with \$814,941 representing scholarship support. Scholarship support for 2015 was \$849,350.

	<b>Operating Expenses</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Personnel services	\$ 336,468	\$ 377,134	\$ 340,916
Scholarships and program support	939,145	1,152,673	939,211
Contractual services	24,902	26,174	30,172
Other services and expenses	316,317	312,245	355,379
Materials and supplies	4,918	1,661	3,497
Total	\$ 1,621,750	\$ 1,869,887	\$ 1,669,175

**NONOPERATING REVENUES (EXPENSES)**

The Foundation continued to experience an increase in the value of investments during the year with an increase in net realized and unrealized gains of \$1,912,980 during the year ending December 31, 2017 with a corresponding increase in value of \$695,933 in 2016.

	<b>Nonoperating Revenues (Expenses)</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Endowment contributions	\$ 306,452	\$ 273,007	\$ 333,502
Net realized and unrealized gains (losses) on investments, net of investment expenses	2,608,913	695,933	(469,873)
Interest and dividends	544,841	515,484	500,588
Return on equity interest in real property	201,817	209,954	204,954
Total	\$ 3,662,023	\$ 1,694,378	\$ 569,171

**PERFORMANCE HIGHLIGHTS**

The Foundation Board approved a 2017 Operating Budget, which allowed for the use of expendable restricted assets to continue the support of Daytona State College programs and provide financial assistance to students. The Foundation Board continually consults with PFM, the current investment firm, to guide the investment activities of the Foundation for the future.



**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017 AND 2016**  
(Continued)

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic status of the Foundation heavily relies on the growth of the investment markets, private donations from the local community as well as matching program grants from the State of Florida and other funding sources. The effects of the economy continue to assimilate into the Foundation's decision-making process. The Foundation stands firm in its continued commitment to the College, and the community, utilizing net position balances from prior years to invest in the College's strategic planning initiatives through academic enhancement, student scholarships and program support.

**REQUEST FOR INFORMATION**

Questions concerning information provided in the Management's Discussion and Analysis, Financial Statements and notes, thereto, or requests for additional financial information should be addressed to Isalene Montgomery, Treasurer, Daytona State College Foundation, Inc., Post Office Box 2811, Daytona Beach, Florida 32120-2811.

**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 57,789	\$ 48,599
Restricted cash and cash equivalents	235,313	500,477
Accounts and pledges receivable, net	20	-
Restricted accounts and pledges receivable, net	2,110	5,825
Restricted prepaid expenses	4,034	-
Restricted due from Daytona State College	2,906,120	2,250,291
Due from Daytona State College	134,740	66,549
Total current assets	3,340,126	2,871,741
<b>Noncurrent assets</b>		
Unrestricted investments	842,237	406,639
Restricted investments	24,846,611	22,694,725
Restricted other assets	8,100	8,100
Total noncurrent assets	25,696,948	23,109,464
<b>Total assets</b>	<b>\$ 29,037,074</b>	<b>\$ 25,981,205</b>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 718	\$ 327
Payable from restricted assets:		
Accounts payable	20,655	141,735
Unearned dormitory rent	156,206	156,206
Due to Daytona State College	4,304	-
Total current liabilities	181,883	298,268
<b>Net position</b>		
Restricted		
Expendable	14,409,760	12,321,681
Nonexpendable endowments	13,411,363	12,839,796
Unrestricted	1,034,068	521,460
Total net position	28,855,191	25,682,937
<b>Total liabilities and net position</b>	<b>\$ 29,037,074</b>	<b>\$ 25,981,205</b>

The accompanying notes to the financial statements  
are an integral part of this statement.

**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Operating revenues:		
Contributions	\$ 791,085	\$ 908,528
Direct operating support - Daytona State College- in-kind	340,896	382,766
Total operating revenues	1,131,981	1,291,294
<b>Expenses</b>		
Operating expenses		
Personnel services	336,468	377,134
Scholarships and program support	939,144	1,152,673
Contractual services	24,902	26,174
Other services and expenses	316,317	312,245
Materials and supplies	4,919	1,661
Total operating expenses	1,621,750	1,869,887
<b>Operating loss</b>	<b>(489,769)</b>	<b>(578,593)</b>
<b>Nonoperating revenue (expense)</b>		
Endowment contributions	306,452	273,007
Net realized and unrealized gains on investments, net of investment expenses of \$94,870 and \$90,178	2,608,913	695,933
Interest and dividends	544,841	515,484
Return on real property investment	201,817	209,954
Total nonoperating revenue	3,662,023	1,694,378
<b>Change in net position</b>	<b>3,172,254</b>	<b>1,115,785</b>
<b>Net position, beginning of year, as restated</b>	25,682,937	24,567,152
<b>Net position, end of year</b>	<b>\$ 28,855,191</b>	<b>\$ 25,682,937</b>

The accompanying notes to the financial statements  
are an integral part of this statement.



**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Receipts from contributions	\$ 794,780	\$ 905,828
Payments for scholarships and program support	(1,658,860)	(1,228,479)
Payments to suppliers	(466,433)	(206,658)
Net cash used in operating activities	<u>(1,330,513)</u>	<u>(529,309)</u>
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(1,465,040)	(470,350)
Proceeds from sales and maturities of investments, net of service fees	1,486,469	283,409
Receipt of interest and dividends	544,841	515,484
Receipts from real property investment	201,817	209,954
Net cash provided by investing activities	<u>768,087</u>	<u>538,497</u>
<b>Cash flows from noncapital financing activities</b>		
Endowment contributions received for other than capital purposes	306,452	273,007
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(255,974)</u>	<u>282,195</u>
<b>Cash and cash equivalents, beginning of year</b>	549,076	266,881
<b>Cash and cash equivalents, end of year</b>	<u>\$ 293,102</u>	<u>\$ 549,076</u>
<b>Shown on the statement of net position as:</b>		
Cash and cash equivalents	\$ 57,789	\$ 48,599
Restricted cash and cash equivalents	235,313	500,477
	<u>\$ 293,102</u>	<u>\$ 549,076</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (489,769)	\$ (578,593)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Decrease (increase) in certain assets		
Accounts and pledges receivable, net	3,695	(4,325)
Prepaid expenses	(4,034)	(8,100)
Due from Daytona State College	(724,020)	1,224
Increase (decrease) in certain liabilities		
Accounts payable	(120,689)	137,515
Due to Daytona State College	4,304	(77,030)
Net cash used in operating activities	<u>\$ (1,330,513)</u>	<u>\$ (529,309)</u>

The accompanying notes to the financial statements  
are an integral part of this statement.

**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

(2) **Deposits and Investments:** (Continued)

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable. Examples include commingled funds which hold actively traded public securities, but whose valuations are determined only periodically, (typically monthly). Other examples include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, credit risks, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investments primarily comprise alternative investments that do not have a liquid market at the balance sheet date. Inputs used for Level 3 may include the original transaction price, recent transactions in the same or similar market, completed or pending third party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:

**Market Approach:** This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

**Income Approach:** This approach determines a valuation by discounting cash flows.

**Cost Approach:** This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value (NAV).

The fair value hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the observability of the valuation inputs.

<b>Deposits and Investments</b>	<b>Average Maturities</b>	<b>Fair Value Level</b>	<b>Average Credit Rating (S&amp;P)</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	N/A	N/A	N/A	\$ 293,102	\$ 549,076
Municipal Bonds	5.90 – 7.64	2	A	56,754	160,168
Mutual Funds – Fixed Income	5.10 – 7.64	2	A - BB	8,171,339	7,905,877
Mutual Funds – Equity	N/A	2	N/A	15,217,882	12,746,260
Investment in Real Property	N/A	3	N/A	2,242,873	2,289,059
Total				<u>\$ 25,981,950</u>	<u>\$ 23,650,440</u>



**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

(3) **Investment in Real Property:**

On July 24, 2007, the College purchased 22 condominium units for \$2,685,000 using funds provided by Daytona State College Foundation, Inc. (the Foundation). The condominiums were purchased to become dormitories for College student athletes. As part of the purchase, the College and Foundation executed a "Real Property Investment Agreement" disclosing that the Foundation was funding the purchase of real property as an investment. The agreement further provided the "College agrees that the Foundation's return on its investment (in the form of rental income received from College student athletes, via the College) shall be a minimum of five (5) percent, rate of return per year on the investment, or the greater of the annual rate of return on the Common fund – Multi-Strategy Bond fund, one year rate, to a maximum of seven (7) percent per year." Per the agreement, the property was deeded in the College's name, while the Foundation retained a 100 percent equity interest in the real property. In the event that any of the units are sold, all sale proceeds are to be paid to the Foundation. If sales do not cover the Foundation's initial investment, the College will attempt to raise funds to match any investment shortfall.

The two parties also entered into a lease agreement, whereby the College leased to the Foundation the condominiums for 1 year, renewable annually for a total of 20 years. The purpose of the lease is to provide the Foundation with fiscal governance of its investment in the real property within the parameters of the Real Property Investment Agreement. The lease provided for an initial lease payment of \$197,057 to the Foundation, and the maintenance, repairs, and operating expenses were to be paid by the Foundation from the rental payments. Major renovations, such as re-roofing, HVAC replacement, replacement of furniture and appliances, and renovations or remodeling to the units are the responsibility of the Foundation. The Foundation funds a replacement and repair reserve account in the amount of \$30,000 per year. The College has control of the account, and may withdraw such funds as may be necessary to pay for any major renovation, replacements, or repairs. Upon expiration of the lease and all renewals, any funds remaining in this account will be remitted to the College. The College does not report the condominiums as capital assets. As discussed in Note 8, this amount has been adjusted in these financial statements.

(4) **Related Party Transactions:**

The Foundation is defined as a direct support organization by Florida Statute 1004.70, and as such, the Foundation is organized and operating exclusively to receive, hold, invest, and make expenditures to, or for the benefit of, Daytona State College. During 2017 and 2016, the Foundation provided the College and its students with program and scholarship support in the amount of \$939,143 and \$1,152,673, respectively. At December 31, 2017 and 2016, the Foundation had payables to the College of \$4,304 and \$0 respectively, primarily representing amounts due for program support. At December 31, 2017 and 2016, the Foundation had receivables from the College of \$540 and \$0, respectively. In addition, the College maintains an investment account on behalf of the Foundation. At December 31, 2017 and 2016, the balance of the investment account was \$3,040,320 and \$2,316,840, respectively, and the net amount of \$3,040,860 and \$2,316,840, respectively, is reported on the Statements of Net Position as Due from Daytona State College.



**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

(5) **Risk Management:**

The Foundation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, and errors and omissions. The Foundation is insured through the College, which provides coverage for these risks primarily through the Florida Community College Risk Management Consortium.

(6) **Significant Concentrations:**

The Foundation receives significant revenues from three sources, private contributions, the College, and net investment return. Contributions from private sources provided 23% and 40% of revenues in 2017 and 2016, respectively. Private contributions vary depending on fundraising campaign focus and effects of the economy. The College's direct operating support in-kind contribution provided 7% and 13% of revenues in 2017 and 2016, respectively. Net investment return provided 70% and 48% of revenues in 2017 and 2016, respectively

(7) **Subsequent Events:**

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 11, 2018, the date the financial statements were available to be issued. No subsequent events requiring recognition or disclosure have been identified.

(8) **Prior Period Adjustment:**

The investment in real property discussed in Note 3 was previously recorded at its original cost basis from 2007 and never annually adjusted to fair value in accordance with generally accepted accounting principles. Per the agreement between the Foundation and the College, the Foundation is entitled to receive the fair value of the property upon termination of the agreement plus an annual investment return. Thus, the proper accounting valuation is a combination of two factors: the Foundation should have annually evaluated the fair value of the property and the Foundation should have annually calculated the present value of future cash flows on the pre-established investment return. These amounts should have been aggregated to determine the proper valuation and gain/loss of the investment for each reporting period.

This resulted in overstatement of \$395,941 and \$382,184 amounts previously reported for investment in real property and restricted expendable net position as of December 31, 2016 and 2015. Accordingly, amounts reported for investment in real property and unrealized losses have been restated in the 2016 financial statements now presented, and adjustments have been made to restricted expendable net position as of December 31, 2016 and 2015, to correct the error.

**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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(9) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Foundation's financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 will increase the usefulness of the financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of leasing arrangements. The provisions in GASB 87 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

**SUPPLEMENTAL SCHEDULES**



**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2017**

<u>ASSETS</u>	<u>Restricted</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable Endowments</u>	
<b>Current assets</b>				
Cash and cash equivalents	\$ 57,789	\$ -	\$ -	\$ 57,789
Restricted cash and cash equivalents	-	132,283	103,030	235,313
Accounts and pledges receivable, net	20	-	-	20
Restricted accounts and pledges receivable, net	-	2,110	-	2,110
Restricted prepaid expenses	-	4,034	-	4,034
Restricted due from Daytona State College	-	1,337,143	1,568,977	2,906,120
Due from Daytona State College	134,740	-	-	134,740
Total current assets	<u>192,549</u>	<u>1,475,570</u>	<u>1,672,007</u>	<u>3,340,126</u>
<b>Noncurrent assets</b>				
Unrestricted investments	842,237	-	-	842,237
Restricted investments	-	13,107,255	11,739,356	24,846,611
Restricted other assets	-	8,100	-	8,100
Total noncurrent assets	<u>842,237</u>	<u>13,115,355</u>	<u>11,739,356</u>	<u>25,696,948</u>
<b>Total assets</b>	<u>\$ 1,034,786</u>	<u>\$ 14,590,925</u>	<u>\$ 13,411,363</u>	<u>\$ 29,037,074</u>
 <b><u>LIABILITIES AND NET POSITION</u></b>				
<b>Current liabilities</b>				
Accounts payable	\$ 718	\$ -	\$ -	\$ 718
Payable from restricted assets:				
Accounts payable	-	20,655	-	20,655
Unearned dormitory rent	-	156,206	-	156,206
Due to Daytona State College	-	4,304	-	4,304
Total current liabilities	<u>718</u>	<u>181,165</u>	<u>-</u>	<u>181,883</u>
<b>Net position</b>				
Restricted				
Expendable	-	14,409,760	-	14,409,760
Nonexpendable endowments	-	-	13,411,363	13,411,363
Unrestricted	1,034,068	-	-	1,034,068
Total net position	<u>1,034,068</u>	<u>14,409,760</u>	<u>13,411,363</u>	<u>28,855,191</u>
<b>Total liabilities and net position</b>	<u>\$ 1,034,786</u>	<u>\$ 14,590,925</u>	<u>\$ 13,411,363</u>	<u>\$ 29,037,074</u>

See accompanying notes to financial statements.

**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2016**

	<u>Restricted</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable Endowments</u>	
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 48,599	\$ -	\$ -	\$ 48,599
Restricted cash and cash equivalents	-	342,807	157,670	500,477
Restricted accounts and pledges receivable, net	-	2,825	3,000	5,825
Restricted due from Daytona State College	-	826,184	1,424,107	2,250,291
Due from Daytona State College	66,549	-	-	66,549
Total current assets	<u>115,148</u>	<u>1,171,816</u>	<u>1,584,777</u>	<u>2,871,741</u>
<b>Noncurrent assets</b>				
Unrestricted investments	406,639	-	-	406,639
Restricted investments	-	11,439,706	11,255,019	22,694,725
Restricted other assets	-	8,100	-	8,100
Total noncurrent assets	<u>406,639</u>	<u>11,447,806</u>	<u>11,255,019</u>	<u>23,109,464</u>
<b>Total assets</b>	<u>\$ 521,787</u>	<u>\$ 12,619,622</u>	<u>\$ 12,839,796</u>	<u>\$ 25,981,205</u>
<b><u>LIABILITIES AND NET POSITION</u></b>				
<b>Current liabilities</b>				
Accounts payable	\$ 327	\$ -	\$ -	\$ 327
Payable from restricted assets:				
Accounts payable	-	141,735	-	141,735
Unearned dormitory rent	-	156,206	-	156,206
Total current liabilities	<u>327</u>	<u>297,941</u>	<u>-</u>	<u>298,268</u>
<b>Net position</b>				
Restricted				
Expendable	-	12,321,681	-	12,321,681
Nonexpendable endowments	-	-	12,839,796	12,839,796
Unrestricted	521,460	-	-	521,460
Total net position	<u>521,460</u>	<u>12,321,681</u>	<u>12,839,796</u>	<u>25,682,937</u>
<b>Total liabilities and net position</b>	<u>\$ 521,787</u>	<u>\$ 12,619,622</u>	<u>\$ 12,839,796</u>	<u>\$ 25,981,205</u>

See accompanying notes to financial statements.

**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Expendable</u>	<u>Nonexpendable Endowments</u>	
<b>Revenues</b>				
Operating revenues:				
Contributions	\$ 196,532	\$ 594,553	\$ -	\$ 791,085
Direct operating support- DSC- In-kind	340,896	-	-	340,896
Total operating revenues	<u>537,428</u>	<u>594,553</u>	<u>-</u>	<u>1,131,981</u>
<b>Expenses</b>				
Operating expenses:				
Personnel services	336,468	-	-	336,468
Scholarships and program support	3,990	935,154	-	939,144
Contractual services	24,902	-	-	24,902
Other services and expenses	159,276	157,041	-	316,317
Materials and supplies	595	4,324	-	4,919
Total operating expenses	<u>525,231</u>	<u>1,096,519</u>	<u>-</u>	<u>1,621,750</u>
<b>Operating income (loss)</b>	<u>12,197</u>	<u>(501,966)</u>	<u>-</u>	<u>(489,769)</u>
<b>Nonoperating revenues (expenses)</b>				
Endowment contributions	-	-	306,452	306,452
Net realized and unrealized gains on investments, net of investment expenses of \$94,870	360,933	2,247,980	-	2,608,913
Interest and dividends	128,361	416,480	-	544,841
Return on real property investment	-	201,817	-	201,817
Interfund transfers	11,117	(276,232)	265,115	-
Total nonoperating revenues	<u>500,411</u>	<u>2,590,045</u>	<u>571,567</u>	<u>3,662,023</u>
<b>Change in net position</b>	<u>512,608</u>	<u>2,088,079</u>	<u>571,567</u>	<u>3,172,254</u>
<b>Net position, beginning of year, as restated</b>	521,460	12,321,681	12,839,796	25,682,937
<b>Net position, end of year</b>	<u>\$ 1,034,068</u>	<u>\$ 14,409,760</u>	<u>\$ 13,411,363</u>	<u>\$ 28,855,191</u>

See accompanying notes to financial statements.



**DAYTONA STATE COLLEGE FOUNDATION, INC.**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Expendable</u>	<u>Nonexpendable Endowments</u>	
<b>Revenues</b>				
Operating revenues:				
Contributions	\$ 198,208	\$ 710,320	\$ -	\$ 908,528
Direct operating support- DSC- In-kind	382,766	-	-	382,766
Total operating revenues	<u>580,974</u>	<u>710,320</u>	<u>-</u>	<u>1,291,294</u>
<b>Expenses</b>				
Operating expenses:				
Personnel services	377,134	-	-	377,134
Scholarships and program support	4,316	1,148,357	-	1,152,673
Contractual services	26,174	-	-	26,174
Other services and expenses	205,572	106,673	-	312,245
Materials and supplies	1,254	407	-	1,661
Total operating expenses	<u>614,450</u>	<u>1,255,437</u>	<u>-</u>	<u>1,869,887</u>
<b>Operating income (loss)</b>	<u>(33,476)</u>	<u>(545,117)</u>	<u>-</u>	<u>(578,593)</u>
<b>Nonoperating revenues (expenses)</b>				
Endowment contributions	-	-	273,007	273,007
Net realized and unrealized gains on investments, net of investment expenses of \$90,178	54,945	640,988	-	695,933
Interest and dividends	140,387	375,097	-	515,484
Return on real property investment	-	209,954	-	209,954
Interfund transfers	(198,655)	(93,028)	291,683	-
Total nonoperating revenues	<u>(3,323)</u>	<u>1,133,011</u>	<u>564,690</u>	<u>1,694,378</u>
<b>Change in net position</b>	<u>(36,799)</u>	<u>587,894</u>	<u>564,690</u>	<u>1,115,785</u>
<b>Net position, beginning of year, as restated</b>	558,259	11,733,787	12,275,106	24,567,152
<b>Net position, end of year</b>	<u>\$ 521,460</u>	<u>\$ 12,321,681</u>	<u>\$ 12,839,796</u>	<u>\$ 25,682,937</u>

See accompanying notes to financial statements.

**DAYTONA STATE COLLEGE FOUNDATION, INC.  
SCHEDULE OF FUNCTIONAL OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Student Assistance</u>	<u>College Programs</u>	<u>Community Service</u>	<u>Fund Raising</u>	<u>Management &amp; General</u>	<u>Total</u>
Personnel services	\$ -	\$ -	\$ -	\$ -	336,468	\$ 336,468
Scholarships and program support	819,526	105,541	13,600	477	-	939,144
Contractual services	-	-	-	-	24,902	24,902
Other services and expenses	2,991	192,271	-	20,488	100,567	316,317
Materials and supplies	463	4,401	-	-	55	4,919
Total operating expenses	<u>\$ 822,980</u>	<u>\$ 302,213</u>	<u>\$ 13,600</u>	<u>\$ 20,965</u>	<u>\$ 461,992</u>	<u>\$ 1,621,750</u>

**SCHEDULE OF FUNCTIONAL OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Student Assistance</u>	<u>College Programs</u>	<u>Community Service</u>	<u>Fund Raising</u>	<u>Management &amp; General</u>	<u>Total</u>
Personnel services	\$ -	\$ -	\$ -	\$ -	\$ 377,134	\$ 377,134
Scholarships and program support	809,709	334,664	8,300	-	-	1,152,673
Contractual services	-	-	-	-	26,174	26,174
Other services and expenses	4,228	105,311	100	23,056	179,550	312,245
Materials and supplies	-	1,646	-	-	15	1,661
Total operating expenses	<u>\$ 813,937</u>	<u>\$ 441,621</u>	<u>\$ 8,400</u>	<u>\$ 23,056</u>	<u>\$ 582,873</u>	<u>\$ 1,869,887</u>

See accompanying notes to financial statements.

**INDEPENDENT AUDITORS' 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,  
Daytona State College Foundation, Inc.:

We have audited, 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, the financial statements of Daytona State College Foundation, Inc. (the Foundation), a component unit of Daytona State College, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated May 11, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the subsequent paragraph, we identified a certain deficiency in internal control that we consider to be a material weaknesses.

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. We consider the deficiency described below to be a material weakness.

**2017-001 Investment in Real Property** We noted the investment in real property was recorded at its original cost basis from 2007 and never adjusted annually to fair value in accordance with generally accepted accounting principles. Per the agreement between the Foundation and Daytona State College, the Foundation is entitled to receive the fair value of the property upon termination of the agreement plus



an annual investment return. Thus, the proper accounting valuation is a combination of two factors: the Foundation should evaluate the fair value of the property and the Foundation should calculate the present value of future cash flows on the pre-established investment return. These amounts should be aggregated to determine the proper valuation and gain/loss of the investment. We recommend this process be repeated each reporting period to ensure the financial statements accurately represent the fair value of the investment in real property in accordance with generally accepted accounting principles. The adjustments to the financial statements for the years ended December 31, 2017 and 2016 were as follows:

12/31/15: Investment in real property and restricted net position reduced \$382,184.

12/31/16: Investment in real property and restricted expendable net position reduced \$395,941, and unrealized loss on investment increased \$13,757.

12/31/17: Investment in real property and restricted expendable net position reduced \$442,127 and unrealized loss on investment increased \$46,186.

*Management Response: The Financial Statements of the Foundation have been audited annually by independent CPA firms for over the past ten years relative to the investment in real property transaction. However, the Foundation concurs with the Auditors assessment based on recent research and consultation with GASB. Internal controls implemented will ensure assessment in accordance with the applicable GASB statements.*

#### ***Compliance and Other Matters***

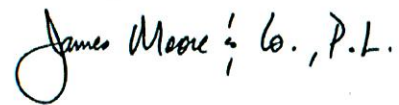
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

#### **Daytona State College Foundation, Inc.'s Response to Findings**

Daytona State College Foundation, Inc.'s response to the findings identified in our audit are described in the body of this report. Daytona State College Foundation, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### ***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Daytona Beach, Florida  
May 11, 2018