

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
THE HILLSBOROUGH COMMUNITY COLLEGE FOUNDATION, INC.

June 30, 2018 and 2017

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RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of Certified Public Accountants
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| | |
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Hillsborough Community College Foundation, Inc.

We have audited the accompanying financial statements of The Hillsborough Community College Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The credit risk disclosure on page 28 and the statement of financial position and statement of activities segregating foundation activities and leasing activities on pages 29 and 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 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.

Tampa, Florida
July 25, 2018



The Hillsborough Community College Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30,

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (notes A6 and H) | \$ 1,609,676 | \$ 1,275,493 |
| Accounts receivable | 160,176 | 132,809 |
| Pledges receivable (notes A4, A10 and B) | 152,170 | 402,500 |
| Prepaid expenses and other | <u>21,448</u> | <u>24,679</u> |
| Total current assets | <u>1,943,470</u> | <u>1,835,481</u> |
| CASH RESTRICTED FOR LONG-TERM PURPOSES (note A7) | 2,828,489 | 2,624,196 |
| PLEDGES RECEIVABLE, NET (notes A4, A10, and B) | 65,241 | - |
| PROPERTY AND EQUIPMENT, NET (note A13 and E) | 10,704,284 | 11,297,800 |
| INVESTMENTS (notes A11, C, and D) | <u>9,089,948</u> | <u>8,655,718</u> |
| | <u>22,687,962</u> | <u>22,577,714</u> |
| TOTAL ASSETS | <u>\$ 24,631,432</u> | <u>\$ 24,413,195</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 369,434 | \$ 245,820 |
| Deferred revenue | 51,516 | 89,228 |
| Interest payable | 24,110 | 24,764 |
| Current portion of revenue note payable (note J) | <u>812,000</u> | <u>781,000</u> |
| Total current liabilities | <u>1,257,060</u> | <u>1,140,812</u> |
| LONG-TERM LIABILITIES | | |
| Revenue note payable, net of current portion and issuance costs (note J) | <u>12,693,843</u> | <u>13,502,977</u> |
| Total long-term liabilities | <u>12,693,843</u> | <u>13,502,977</u> |
| Total liabilities | <u>13,950,903</u> | <u>14,643,789</u> |
| NET ASSETS (note I) | | |
| Unrestricted - undesignated | 1,320,264 | 876,630 |
| Unrestricted - board designated endowment | 33,630 | 33,630 |
| Temporarily restricted | 5,859,990 | 5,558,757 |
| Permanently restricted | <u>3,466,645</u> | <u>3,300,389</u> |
| Total net assets | <u>10,680,529</u> | <u>9,769,406</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 24,631,432</u> | <u>\$ 24,413,195</u> |

The accompanying notes are an integral part of these statements.

The Hillsborough Community College Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Public support and revenue | | | | |
| Contributions | \$ 51,780 | \$ 1,048,781 | \$ 166,256 | \$ 1,266,817 |
| Contributed services and in-kind | 667,305 | 118,895 | - | 786,200 |
| Grants | 804,231 | - | - | 804,231 |
| Student housing operating revenue | 3,321,497 | - | - | 3,321,497 |
| Special events, net (note G) | - | 188,611 | - | 188,611 |
| Net investment income (note C) | 110,302 | 226,184 | - | 336,486 |
| Realized gain (loss) on investments (note C) | (96) | 22,802 | - | 22,706 |
| Unrealized gain (loss) on investments (note C) | (3,637) | 258,119 | - | 254,482 |
| Total public support and revenue | <u>4,951,382</u> | <u>1,863,392</u> | <u>166,256</u> | <u>6,981,030</u> |
| Net assets released from restrictions | <u>1,562,159</u> | <u>(1,562,159)</u> | <u>-</u> | <u>-</u> |
| Total public support, revenue and net assets released from restrictions | <u>6,513,541</u> | <u>301,233</u> | <u>166,256</u> | <u>6,981,030</u> |
| Expenses | | | | |
| Program expenses | 2,636,645 | - | - | 2,636,645 |
| Hawks Landing | 2,699,952 | - | - | 2,699,952 |
| Support services | 253,056 | - | - | 253,056 |
| Development | 480,254 | - | - | 480,254 |
| Total expenses | <u>6,069,907</u> | <u>-</u> | <u>-</u> | <u>6,069,907</u> |
| Change in net assets | 443,634 | 301,233 | 166,256 | 911,123 |
| Net assets at beginning of year | <u>910,260</u> | <u>5,558,757</u> | <u>3,300,389</u> | <u>9,769,406</u> |
| Net assets at end of year | <u>\$ 1,353,894</u> | <u>\$ 5,859,990</u> | <u>\$ 3,466,645</u> | <u>\$ 10,680,529</u> |

The accompanying notes are an integral part of this statement.

The Hillsborough Community College Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Public support and revenue | | | | |
| Contributions | \$ 50,652 | \$ 762,201 | \$ 82,239 | \$ 895,092 |
| Contributed services and in-kind | 642,104 | 40,848 | - | 682,952 |
| Grants | 605,445 | - | - | 605,445 |
| Student housing operating revenue | 3,298,758 | - | - | 3,298,758 |
| Special events, net (note G) | - | 116,509 | - | 116,509 |
| Net investment income (note C) | 71,481 | 119,164 | - | 190,645 |
| Realized gain on investments (note C) | 9,042 | 49,951 | - | 58,993 |
| Unrealized gain on investments (note C) | 164,241 | 581,227 | - | 745,468 |
| Unrealized gain on derivative activity (note L) | 201,511 | - | - | 201,511 |
| Other income (note O) | 140,716 | - | - | 140,716 |
| Total public support and revenue | <u>5,183,950</u> | <u>1,669,900</u> | <u>82,239</u> | <u>6,936,089</u> |
| Net asset transfers | - | (9,475) | 9,475 | - |
| Net assets released from restrictions | <u>1,056,889</u> | <u>(1,056,889)</u> | <u>-</u> | <u>-</u> |
| Total public support, revenue and net assets released from restrictions | <u>6,240,839</u> | <u>603,536</u> | <u>91,714</u> | <u>6,936,089</u> |
| Expenses | | | | |
| Program expenses | 1,954,279 | - | - | 1,954,279 |
| Hawks Landing | 3,109,446 | - | - | 3,109,446 |
| Support services | 263,147 | - | - | 263,147 |
| Development | 444,470 | - | - | 444,470 |
| Total expenses | <u>5,771,342</u> | <u>-</u> | <u>-</u> | <u>5,771,342</u> |
| Change in net assets | 469,497 | 603,536 | 91,714 | 1,164,747 |
| Net assets at beginning of year | <u>440,763</u> | <u>4,955,221</u> | <u>3,208,675</u> | <u>8,604,659</u> |
| Net assets at end of year | <u>\$ 910,260</u> | <u>\$ 5,558,757</u> | <u>\$ 3,300,389</u> | <u>\$ 9,769,406</u> |

The accompanying notes are an integral part of this statement.

The Hillsborough Community College Foundation, Inc.

STATEMENTS OF CASH FLOWS

For the year ended June 30,

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 911,123 | \$ 1,164,747 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 869,867 | 814,620 |
| Amortization of debt issuance costs | 4,777 | 11,221 |
| Prior debt issuance costs written-off | - | 196,604 |
| Net realized and unrealized gain from investments | (277,188) | (804,461) |
| Gain on derivative liability | - | (201,511) |
| Increase in accounts receivable and tenant rent receivable | (27,367) | (34,915) |
| Decrease in unconditional promises to give | 185,089 | 21,750 |
| Decrease (increase) in prepaid and other current assets | 3,231 | (5,958) |
| Increase in accounts payable and accrued expenses | 122,960 | 94,048 |
| (Decrease) increase in deferred revenue | (37,712) | 56,163 |
| Total adjustments | <u>843,657</u> | <u>147,561</u> |
| Net cash provided by operating activities | <u>1,754,780</u> | <u>1,312,308</u> |
| Cash flows from investing activities | | |
| (Increase) decrease in cash restricted for long-term purposes | (45,579) | 284,323 |
| Purchase of leasehold improvements and other equipment | (276,351) | (544,866) |
| Proceeds from sale of investments | - | 762,950 |
| Purchase of investments | <u>(157,042)</u> | <u>(921,552)</u> |
| Net cash used by investing activities | <u>(478,972)</u> | <u>(419,145)</u> |
| Cash flows from financing activities | | |
| Debt issuance costs | (1,911) | (74,359) |
| (Increase) decrease in cash restricted for long-term purposes | (158,714) | 142,474 |
| Principal payments on revenue note | <u>(781,000)</u> | <u>(884,000)</u> |
| Net cash used by financing activities | <u>(941,625)</u> | <u>(815,885)</u> |
| Net change in cash and cash equivalents | 334,183 | 77,278 |
| Cash and cash equivalents at beginning of year | <u>1,275,493</u> | <u>1,198,215</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,609,676</u> | <u>\$ 1,275,493</u> |
| Supplemental disclosures of cash flow information | | |
| Income taxes paid | <u>\$ -</u> | <u>\$ -</u> |
| Interest paid | <u>\$ 300,685</u> | <u>\$ 505,630</u> |

The accompanying notes are an integral part of these statements.

The Hillsborough Community College Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

| | Program Services | Hawks Landing | Total Program Services | Support Services | Development | Total Expenses |
|------------------------------------|---------------------|---------------------|---------------------------|---------------------|-------------------|--------------------|
| Scholarships | \$ 881,362 | \$ - | \$ 881,362 | \$ - | \$ - | \$ 881,362 |
| College support | 1,731,728 | - | 1,731,728 | - | - | 1,731,728 |
| Student housing operating expenses | - | 1,372,635 | 1,372,635 | - | - | 1,372,635 |
| Management fee | - | 152,642 | 152,642 | - | - | 152,642 |
| Depreciation | - | 869,867 | 869,867 | - | - | 869,867 |
| Interest expense | - | 304,808 | 304,808 | - | - | 304,808 |
| Salaries and benefits | 16,305 | - | 16,305 | 194,081 | 400,773 | 611,159 |
| Travel, conferences, and training | - | - | - | 1,557 | 2,746 | 4,303 |
| Postage and freight | - | - | - | 1,346 | 3,810 | 5,156 |
| Printing and photography | - | - | - | 2,128 | 11,841 | 13,969 |
| Insurance | - | - | - | 4,458 | - | 4,458 |
| Other services | - | - | - | 4,760 | 13,547 | 18,307 |
| Software costs | 7,250 | - | 7,250 | 6,561 | 28,136 | 41,947 |
| Professional fees | - | - | - | 21,500 | - | 21,500 |
| Supplies | - | - | - | 5,023 | 6,482 | 11,505 |
| Hospitality | - | - | - | 7,052 | 11,918 | 18,970 |
| Pledge write-off | - | - | - | 4,090 | 1,001 | 5,091 |
| Other expense | - | - | - | 500 | - | 500 |
| Total expenses | <u>\$ 2,636,645</u> | <u>\$ 2,699,952</u> | <u>\$ 5,336,597</u> | <u>\$ 253,056</u> | <u>\$ 480,254</u> | <u>\$6,069,907</u> |

The accompanying notes are an integral part of this statement.

The Hillsborough Community College Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

| | <u>Program Services</u> | <u>Hawks Landing</u> | <u>Total Program Services</u> | <u>Support Services</u> | <u>Development</u> | <u>Total Expenses</u> |
|------------------------------------|-----------------------------|--------------------------|-----------------------------------|-----------------------------|--------------------|---------------------------|
| Scholarships | \$ 595,142 | \$ - | \$ 595,142 | \$ - | \$ - | \$ 595,142 |
| College support | 1,340,585 | - | 1,340,585 | - | - | 1,340,585 |
| Student housing operating expenses | - | 1,455,179 | 1,455,179 | - | - | 1,455,179 |
| Management fee | - | 147,677 | 147,677 | - | - | 147,677 |
| Depreciation | - | 814,620 | 814,620 | - | - | 814,620 |
| Bond issuance cost write-off | - | 196,604 | 196,604 | - | - | 196,604 |
| Interest expense | - | 495,366 | 495,366 | - | - | 495,366 |
| Salaries and benefits | 12,052 | - | 12,052 | 191,232 | 377,402 | 580,686 |
| Travel, conferences, and training | - | - | - | 3,647 | 7,298 | 10,945 |
| Postage and freight | - | - | - | 638 | 1,703 | 2,341 |
| Printing and photography | - | - | - | 2,391 | 5,903 | 8,294 |
| Insurance | - | - | - | 4,662 | - | 4,662 |
| Other services | - | - | - | 7,623 | 11,852 | 19,475 |
| Software costs | 6,500 | - | 6,500 | 10,629 | 22,882 | 40,011 |
| Professional fees | - | - | - | 19,500 | - | 19,500 |
| Advertising and promotions | - | - | - | 2,458 | 9,294 | 11,752 |
| Supplies | - | - | - | 8,554 | 7,011 | 15,565 |
| Hospitality | - | - | - | 5,050 | - | 5,050 |
| Other expense | - | - | - | 6,763 | 1,125 | 7,888 |
| Total expenses | <u>\$ 1,954,279</u> | <u>\$ 3,109,446</u> | <u>\$ 5,063,725</u> | <u>\$ 263,147</u> | <u>\$ 444,470</u> | <u>\$5,771,342</u> |

The accompanying notes are an integral part of this statement.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A brief description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Organization

The Hillsborough Community College Foundation, Inc. (the "Foundation"), was organized in 1974 as a not-for-profit direct support organization of Hillsborough Community College (the "College"). The Foundation solicits, receives, and manages private and corporate gifts and other income producing ventures for the use and benefit of the College and its students. The Foundation provides academic scholarships for deserving students and other financial assistance to the College in creating and improving its educational programs and facilities as approved by the Hillsborough Community College Board of Trustees. The Foundation functions as a component unit (for accounting purposes only) of the College. The Foundation also provides student housing and has contracted with Peak Campus Management, LLC to manage Hawks Landing, their 420-bed student housing project.

2. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, the funds have been combined.

The Foundation follows the provisions of FASB Accounting Standards Codification Topic 958 "Not-for-Profit Entities" ("ASC 958"). This requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It is also requiring recognition of contributed services meeting certain criteria at fair value.

The Foundation utilizes restricted and unrestricted groupings to account for its resources. ASC 958 requires a statement of financial position, a statement of activities and a statement of cash flows for not-for-profit organizations.

The assets, liabilities and net assets of the Foundation are reported in self-balancing fund groups as follows:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Temporarily Restricted – Net assets subject to donor stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Generally, donors of such assets permit the Foundation to use all or part of the income earned on the assets.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution is made. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with any donor-imposed restrictions on the contributions.

5. Contributions In-Kind

The Foundation recognized donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

6. Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with original maturity of three months or less to be cash equivalents.

7. Cash Restricted for Long-Term Purposes

The Student Housing Revenue Note Payable (note J) requires that cash be set aside in separate accounts for specific purposes, such as debt service and repairs and maintenance costs for the Hawks Landing Project (note E). Because these restricted funds are not available for current uses, they are shown separately as a non-current asset in the accompanying statements of financial position.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Investments

Investments in debt and equity securities with readily determinable fair values are carried at quoted market value. The net changes in market prices and the realized gains and losses on investments sold are reflected in the statements of activities as the net realized and unrealized gains and losses on investments.

9. Accounts Receivable

Accounts receivable and tenant rent receivable are stated at the amount management expects to collect. Management periodically assesses the collectability of accounts receivable and, when it is determined that the full amount is not collectible, writes off the portion in question or establishes reserves for outstanding balances in question. The Foundation recorded no allowance for doubtful accounts as of June 30, 2018 and 2017. Actual write-offs may exceed the allowance.

10. Pledges Receivable

The fair value of unconditional promises to give to be received in more than one year is estimated based on future cash flows discounted 3% at June 30, 2018 and 2017. Unconditional promises to give to be received in less than one-year approximate fair value because of their short maturity. The Foundation monitors the collectability of promises to give and estimates an allowance for uncollectible accounts. There was no allowance for pledges receivable as of June 30, 2018 and 2017.

11. Fair Value of Financial Instruments

The carrying value of financial instruments such as accounts receivable and accounts payable approximate fair value due to their short-term nature.

12. Income Taxes

The Foundation is a not-for-profit organization exempt from income taxes, except on "unrelated business income", under section 501(c)(3) of the U.S. Internal Revenue Code and applicable state statute. There was no unrelated business income during the fiscal years ended June 30, 2018 and 2017, therefore, no tax was due.

The Foundation follows the income tax standard for uncertain tax positions. The Foundation has evaluated their tax provisions and determined they have no uncertain tax positions as of June 30, 2018.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Land, Buildings and Equipment and Depreciation

The Foundation follows the practice of recording fixed assets at cost if purchased, or if donated, at the fair market value on the date of gift with an expected life over one year. Depreciation expense is computed using the straight-line method with useful lives ranging from 3 to 27.5 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements over \$1,000 are capitalized as projects are constructed.

14. Impairment of Long-Lived Assets

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If this review reveals an indicator of impairment, as determined based on estimated undiscounted cash flows, the carrying amounts of the related long-lived assets are adjusted to fair value. Management has determined that there has been no impairment in the carrying value of its long-lived assets as of June 30, 2018 and 2017.

15. Functional Allocation of Expenses

The costs of providing the Foundation's various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited as shown in the statement of functional expenses.

16. Special Events

The Foundation conducts special events for the purpose of raising money for annual operations. The Foundation had special events' revenue of approximately \$328,000 and \$189,000 with related expenses of approximately \$139,000 and \$73,000 during the years ended June 30, 2018 and 2017, respectively.

17. Reclassifications

Certain reclassifications of the prior year's comparative balances have been made to conform to the current year presentation.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give by donors. Pledges that are expected to be collected after one year have been discounted using a rate of 3% and are reflected in the financial statements at their net present value. Pledges receivable consisted of the following at June 30, :

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Total pledges | \$ 222,980 | \$ 402,500 |
| Less allowance for uncollected pledges | - | - |
| Less unamortized discount for present value | <u>(5,569)</u> | <u>-</u> |
| Pledges receivable, net | <u>\$ 217,411</u> | <u>\$ 402,500</u> |

Pledges receivable expected to be collected after June 30, 2018:

Year ending June 30,

| | |
|---|-------------------|
| 2019 | \$ 152,170 |
| 2020 | 21,920 |
| 2021 | 20,570 |
| 2022 | 16,970 |
| 2023 | <u>11,350</u> |
| | 222,980 |
| Less allowance for uncollected pledges and less unamortized discount | <u>(5,569)</u> |
| | <u>\$ 217,411</u> |

NOTE C - INVESTMENTS

The Foundation has developed an extensive investment policy which provides the investment committee with general principles for establishing the investing goals of the Foundation. The investment objectives of the Foundation are:

- To provide funding for scholarships, activities, capital assets, and other programs;
- To maintain purchasing power;
- To prudently grow the investment assets to provide additional funding to the Foundation;

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE C - INVESTMENTS - Continued

- To maximize long-term growth without undue risk, consistent with the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA);
- To achieve a competitive rate of return

The Foundation recognizes the potential conflicts which exist in attempting to achieve these objectives and intends its assets to be invested with the reasonable care, skill, diligence, and prudence consistent with the type of organization this Foundation represents.

Investments include the following as of June 30,:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Large cap growth mutual funds | \$ 1,689,083 | \$ 1,435,121 |
| Large cap value mutual funds | 1,452,735 | 1,361,851 |
| Small cap equity mutual funds | 1,105,404 | 1,058,908 |
| International equity mutual funds | 1,331,503 | 1,287,584 |
| Fixed income mutual funds | 3,011,987 | 2,798,009 |
| Alternatives | 470,189 | 687,651 |
| Beneficial interest in assets held by others | <u>29,047</u> | <u>26,594</u> |
| Total | <u>\$ 9,089,948</u> | <u>\$ 8,655,718</u> |

Investment income is summarized as follows for the year ended June 30,:

| | <u>2018</u> | <u>2017</u> |
|-------------------------|-------------------|-------------------|
| Interest and dividends | \$ 371,232 | \$ 237,772 |
| Realized gains | 22,706 | 58,993 |
| Unrealized gains | 254,482 | 745,468 |
| Investment expenses | <u>(34,746)</u> | <u>(47,127)</u> |
| Total investment income | <u>\$ 613,674</u> | <u>\$ 995,106</u> |

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation has adopted the FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" ("ASC 820") which establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price).

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Under ASC 820, a fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. ASC 820 requires disclosures that stratify statement of financial position amounts measured at fair value based on inputs the Foundation used to derive fair value measurements.

These strata include:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of:

| <u>June 30, 2018</u> | <u>Fair Value</u> | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
|---|---------------------|---------------------------|---------------------------|---------------------------|
| Large cap growth mutual funds | \$ 1,689,083 | \$ 1,689,083 | \$ - | \$ - |
| Large cap value mutual funds | 1,452,735 | 1,452,735 | - | - |
| Small cap equity mutual funds | 1,105,404 | 1,105,404 | - | - |
| International equity mutual funds | 1,331,503 | 1,331,503 | - | - |
| Fixed income mutual funds | 3,011,987 | 3,011,987 | - | - |
| Alternatives | 470,189 | 470,189 | - | - |
| Beneficial interest in assets held by others | 29,047 | - | - | 29,047 |
| Total | <u>\$ 9,089,948</u> | <u>\$ 9,060,901</u> | <u>\$ -</u> | <u>\$ 29,047</u> |

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

| <u>June 30, 2017</u> | <u>Fair Value</u> | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
|---|---------------------|---------------------------|---------------------------|---------------------------|
| Large cap growth mutual funds | \$ 1,435,121 | \$ 1,435,121 | \$ - | \$ - |
| Large cap value mutual funds | 1,361,851 | 1,361,851 | - | - |
| Small cap equity mutual funds | 1,058,908 | 1,058,908 | - | - |
| International equity mutual funds | 1,287,584 | 1,287,584 | - | - |
| Fixed income mutual funds | 2,798,009 | 2,798,009 | - | - |
| Alternatives | 687,651 | 687,651 | - | - |
| Beneficial interest in assets held by others | <u>26,594</u> | <u>-</u> | <u>-</u> | <u>26,594</u> |
| Total | <u>\$ 8,655,718</u> | <u>\$ 8,629,124</u> | <u>\$ -</u> | <u>\$ 26,594</u> |

The following illustrates a rollforward for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30,:

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Beneficial interest in assets held by others at beginning of year | \$ 26,594 | \$ 24,007 |
| Contributions | - | - |
| Investment income | 456 | 554 |
| Realized and unrealized gains (losses) | 2,221 | 2,200 |
| Investment expenses | <u>(224)</u> | <u>(167)</u> |
| Beneficial interest in assets held by others at end of year | <u>\$ 29,047</u> | <u>\$ 26,594</u> |

NOTE E - HAWKS LANDING PROJECT

The book value of the fixed assets relating to the Hawks Landing Project were as follows at June 30,:

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|----------------------|----------------------|
| Buildings | \$ 15,628,195 | \$ 15,489,022 |
| Land improvements | 2,460,115 | 2,440,901 |
| Furniture, fixtures, and equipment | <u>302,209</u> | <u>232,615</u> |
| | 18,390,519 | 18,162,538 |
| Less accumulated depreciation | <u>(7,686,235)</u> | <u>(6,864,738)</u> |
| Total | <u>\$ 10,704,284</u> | <u>\$ 11,297,800</u> |

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE E - HAWKS LANDING PROJECT - Continued

Depreciation expense was approximately \$870,000 and \$815,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE F - RELATED PARTY TRANSACTIONS

The Foundation entered into a master ground lease agreement on July 19, 2006 with Hillsborough Community College. Under this agreement, the Foundation is required to construct certain capital projects. The lease will terminate on the later of 1) January 1, 2035 or 2) the date that all proceeds from the bonds used to construct the capital project on the initial leased premises and any obligations under any "Related Financing Documents" relating to such Bonds are fully paid and cancelled. The term of the master ground lease shall in no event be more than 50 years. Rent is one dollar (\$1.00) per year.

The Foundation provides funds to the College for college scholarships, athletic housing, academic programs, and staff development and support in accordance with the mission statement of the Foundation. These funds totaled \$1,986,996 and \$1,553,946 for the years ended June 30, 2018 and 2017, respectively, which are included as program expenses in the accompanying statements of activities. The amount payable to the College is \$222,389 and \$102,728 at June 30, 2018 and 2017, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

In accordance with the support agreement between the Foundation, the College, and the provider of the letter of credit, as revised (note J), the College pays all project related expenses as needed to enable the Foundation to meet the debt service coverage ratio. In the event that the Foundation is unable to reimburse the provider of the letter of credit for draws on the letter of credit to pay debt service for the Hawks Landing Project, the College has agreed to reimburse the provider of the letter of credit for such amounts. There were no amounts reimbursed for the years ended June 30, 2018 and 2017.

The Foundation is run and managed by personnel that are employees of the College. The College pays the salaries and benefits of these employees on the Foundation's behalf.

The Foundation recorded contributed services, materials, and software totaling \$667,123 and \$638,254 for the years ended June 30, 2018 and 2017, respectively. The offset of these contributed services, materials, and software is included in support services and development expenses on the accompanying statements of functional expenses.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE G - SPECIAL EVENTS

The Foundation had the following special events during the fiscal year ended June 30,:

| <u>2018</u> | <u>Revenue</u> | <u>Expense</u> | <u>Net</u> |
|-----------------------|-------------------|-------------------|-------------------|
| Golf tournament | \$ 71,805 | \$ 23,190 | \$ 48,615 |
| Presidential showcase | 137,592 | 59,846 | 77,746 |
| Fishing tournament | 118,160 | 55,910 | 62,250 |
| Total | <u>\$ 327,557</u> | <u>\$ 138,946</u> | <u>\$ 188,611</u> |

| <u>2017</u> | <u>Revenue</u> | <u>Expense</u> | <u>Net</u> |
|--------------------|-------------------|------------------|-------------------|
| Golf tournament | \$ 66,864 | \$ 22,258 | \$ 44,606 |
| Fishing tournament | 122,238 | 50,335 | 71,903 |
| Total | <u>\$ 189,102</u> | <u>\$ 72,593</u> | <u>\$ 116,509</u> |

NOTE H - CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS

Cash balances are maintained in financial institutions and occasionally deposits exceed amounts insured by the Federal Deposit Insurance Corporation and can potentially subject the Foundation to credit losses.

NOTE I - NET ASSETS

Unrestricted Net Assets

Unrestricted net assets show a surplus of \$1,353,894 and a surplus of \$910,260 as of June 30, 2018 and 2017, respectively. These amounts include the cumulative net surplus (deficit) of the Hawks Landing Project (note E), which totals \$268,641 and (\$191,725) as of June 30, 2018 and 2017, respectively.

Temporarily Restricted Net Assets

Net assets are temporarily restricted for the following uses as of June 30,:

| | <u>2018</u> | <u>2017</u> |
|----------------------------|---------------------|---------------------|
| Scholarships | \$ 3,132,911 | \$ 2,797,620 |
| College support activities | <u>2,727,079</u> | <u>2,761,137</u> |
| | <u>\$ 5,859,990</u> | <u>\$ 5,558,757</u> |

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE I - NET ASSETS - Continued

Permanently Restricted Net Assets

Permanently restricted net assets in the Endowment Funds at June 30, 2018 and 2017 are investments in perpetuity, the income from which is expendable to support scholarships and program enhancement. The board voted to limit the minimum endowment to \$10,000. Funds are considered temporarily restricted until they reach \$10,000.

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|---------------------|---------------------|
| Endowed scholarships | \$ 3,360,785 | \$ 3,195,029 |
| Endowed college support activities | <u>105,860</u> | <u>105,360</u> |
| | <u>\$ 3,466,645</u> | <u>\$ 3,300,389</u> |

NOTE J - STUDENT HOUSING REVENUE NOTE PAYABLE

The Foundation issued Student Housing Revenue Bonds, Series 2006 (the Bonds) in the amount of \$18,600,000 on December 6, 2006. Interest on the Bonds was payable at a variable rate equal to the municipal swap index rate, which was 0.41% at June 30, 2016. In conjunction with the issuance of the Bonds, the Foundation entered into an interest rate swap agreement (note L) to effectively fix the interest rate on the Bonds at 3.59%.

The Bonds were to mature on December 1, 2033. The proceeds raised from the issuance of the Bonds were used to construct a 420-bed student housing facility. This facility along with the revenue generated from the project served as collateral for the Bonds. In conjunction with the original issuance of the Bonds, the Foundation also entered into a \$18.6 million letter of credit that served as security for the Bonds. This letter of credit expired in December 2016.

The Foundation refinanced the Bonds in the amount of \$14,734,000 on December 15, 2016. Interest on the new revenue note payable is at a fixed rate equal to 2.07%. In conjunction with the issuance of the note payable, the Foundation's interest rate swap agreement (note L) was terminated. The note payable matures on December 1, 2032.

Debt issuance costs of approximately \$74,000 associated with this refinancing are being amortized over the life of the debt using the straight-line method, which approximates the effective interest method. Accumulated amortization approximated \$7,100 and \$2,300 at June 30, 2018 and 2017, respectively. Amortization of debt issuance costs totaled approximately \$5,000 and \$11,000 for the years ended June 30, 2018 and 2017, respectively and is included in interest expense.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE J - STUDENT HOUSING REVENUE NOTE PAYABLE - Continued

The future schedule maturities of the revenue note payable are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|-----------------------------|
| 2019 | \$ 812,000 |
| 2020 | 828,000 |
| 2021 | 847,000 |
| 2022 | 864,000 |
| 2023 | 882,000 |
| 2024 - 2028 | 4,689,000 |
| 2029 - 2033 | <u>4,653,000</u> |
| Total notes payable | 13,575,000 |
| Less unamortized loan costs | <u>(69,157)</u> |
| | 13,505,843 |
| Less current portion | <u>812,000</u> |
| | <u><u>\$ 12,693,843</u></u> |

NOTE K - ENDOWMENT

The Foundation has a donor restricted endowment fund established to provide income to support its various program services. Net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's Board of Directors has interpreted relevant state law, which is Chapter 617.2104, Florida Statutes, the Florida Uniform Prudent Management of Institutional Funds Act (Florida UPMIFA), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gift to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation classifies as temporarily restricted net assets all investment income, inclusive of interest, dividends, and realized and unrealized gains and losses, earned on the invested assets within the endowment fund, and the investment income earned has been restricted as to its use by donors. These amounts are released from restriction once they are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Florida UPMIFA.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE K - ENDOWMENT - Continued

In accordance with Florida UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor endowment funds:

- 1) The purposes of the Foundation
- 2) The intent of the donors of the endowment fund
- 3) The terms of the applicable instrument
- 4) The long-term and short-term needs of the Foundation carrying out its purposes
- 5) The general economic conditions
- 6) The possible effect of inflation or deflation
- 7) The other revenue sources of the Foundation
- 8) Perpetuation of the endowment

The remaining portion of the donor-restricted endowment fund that is not classified as permanently or temporarily restricted net assets is classified as unrestricted net assets. The Foundation considers any donor contributions and related earnings to the endowment fund made without any stipulations or restrictions as to the preservation of the original corpus to be appropriated and available for the current year operations.

The endowment pool spending policy allows the withdrawal of up to 5% annually of the average of the previous 12 quarters' market value.

Endowment net asset composition by type is as follows for the year ended:

| June 30, 2018 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------------------------|------------------|------------------------|------------------------|---------------------|
| Donor restricted - endowment funds | \$ - | \$ 2,676,817 | \$ 3,466,645 | \$ 6,143,462 |
| Board designated - endowment funds | 33,630 | - | - | 33,630 |
| Total funds | <u>\$ 33,630</u> | <u>\$ 2,676,817</u> | <u>\$ 3,466,645</u> | <u>\$ 6,177,092</u> |
| June 30, 2017 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor restricted - endowment funds | \$ - | \$ 2,397,252 | \$ 3,300,389 | \$ 5,697,641 |
| Board designated - endowment funds | 33,630 | - | - | 33,630 |
| Total funds | <u>\$ 33,630</u> | <u>\$ 2,397,252</u> | <u>\$ 3,300,389</u> | <u>\$ 5,731,271</u> |

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE K - ENDOWMENT - Continued

The endowment net assets and activity for 2018 and 2017 consisted of the following:

| | Net Assets | | | |
|--|------------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment fund balance as of June 30, 2016 | \$ 33,630 | \$ 1,796,864 | \$ 3,208,675 | \$ 4,830,597 |
| Contributions | - | - | 91,714 | 91,714 |
| Realized and unrealized | | | | |
| Gain | - | 631,178 | - | 631,178 |
| Investment income, other, net of expenses | - | 119,164 | - | 119,164 |
| Appropriations | - | (149,954) | - | (149,954) |
| Endowment fund balance as of June 30, 2017 | 33,630 | 2,397,252 | 3,300,389 | 5,731,271 |
| Contributions | - | - | 166,256 | 166,256 |
| Realized and unrealized | | | | |
| Gain | - | 280,921 | - | 280,921 |
| Investment income, other, net of expenses | - | 226,184 | - | 226,184 |
| Appropriations | - | (227,540) | - | (227,540) |
| Endowment fund balance as of June 30, 2018 | <u>\$ 33,630</u> | <u>\$ 2,676,817</u> | <u>\$ 3,466,645</u> | <u>\$ 6,177,092</u> |

Investment Strategy, Return Objectives and Risk Parameters

The general investment goals and strategy in relation to the endowment are under the fiduciary responsibility and oversight of the Foundation's Investment Committee (the "Committee"). The Committee manages the assets of the endowment fund so as to provide the highest total return consistent with prudent investment practices, providing for long-term returns sufficient to cover the return requirements of the spending formula.

The returns achieved by investment management are to be sufficient to overcome inflationary effects and preserve the purchasing power of the corpus. Safety and preservation of capital are critical considerations. The investment objectives require a disciplined and consistent management philosophy that accommodates investment opportunities that are reasonable and profitable. Extreme positions or speculative styles are not consistent with this philosophy.

Spending Policy and How Investment Objectives Relate to Spending

The board of directors approved appropriations of 5% during 2018 and 2017 of the endowment fund based on the spending policy in place. The percentage is determined based on the overall needs of the Foundation balanced with the long-term investment return objectives for a fund to be held in perpetuity.

The Hillsborough Community College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE L - DERIVATIVE LIABILITY

On December 6, 2006, in conjunction with the issuance of the Bonds (note J), the Foundation entered into an interest rate swap agreement for the purpose of converting the Bonds from an adjustable interest rate to a 3.59% fixed interest rate. The swap agreement matured on December 1, 2016. The Foundation records the interest rate swap agreement at fair value.

The fair value of the swap agreement is the estimated amount the Foundation would pay to terminate the agreement at the reporting date. This fair value is estimated based on projected discounted cash flows, taking current interest rates and the current creditworthiness of the counterparties into consideration. The gain in the fair value of the swap agreement was approximately \$202,000 for the year ended June 30, 2017. The gains are included as revenues and support in the accompanying statements of activities.

NOTE M - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Florida. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Foundation expects such amounts, if any, to be immaterial.

NOTE N - CONCENTRATIONS

Three donors made up approximately 32% and 21% of total contributions for the years ended June 30, 2018 and 2017, respectively.

NOTE O - OTHER INCOME

The Foundation received a total of approximately \$141,000 during the year ended June 30, 2017, for the settlement of an operating claim under the Deepwater Horizon Court Supervised Program (commonly known as the BP Oil Spill). The proceeds for this claim are included in other income.

NOTE P - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to June 30, 2018 as of July 25, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

The Hillsborough Community College Foundation, Inc.

CREDIT RISK DISCLOSURE

June 30, 2018

| Investment Type | Fair Value June 30, 2018 | Fair Value June 30, 2017 | Credit Risk | Maturity |
|-------------------------------|---|---|-------------|--|
| U.S. government obligations | <u>\$ 2,828,489</u> | <u>\$ 2,624,196</u> | S & P AAAM | Weighted average of the fund portfolio: 45 days |
| Total cash equivalents | <u>\$ 2,828,489</u> | <u>\$ 2,624,196</u> | | |
| Additional information | Fair Value June 30, 2017 | Fair Value June 30, 2016 | | |
| Open end mutual funds | <u>\$ 9,089,948</u> | <u>\$ 8,655,718</u> | | |
| Total investments | <u>\$ 9,089,948</u> | <u>\$ 8,655,718</u> | | |
| Investment expense | <u>\$ 34,746</u> | <u>\$ 47,127</u> | | |

The Hillsborough Community College Foundation, Inc.

STATEMENT OF FINANCIAL POSITION SEGREGATING FOUNDATION ACTIVITIES
AND LEASING ACTIVITIES

June 30, 2018

| | <u>Foundation</u> | <u>Hawks Landing</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 1,230,597 | \$ 379,079 | \$ 1,609,676 |
| Accounts receivable | 158,929 | 1,247 | 160,176 |
| Pledges receivable, net | 152,170 | - | 152,170 |
| Prepaid expenses | 1,899 | 19,549 | 21,448 |
| Total current assets | <u>1,543,595</u> | <u>399,875</u> | <u>1,943,470</u> |
| Cash restricted for long-term purposes | - | 2,828,489 | 2,828,489 |
| Pledges receivable, net | 65,241 | - | 65,241 |
| Hawks Landing project, net of depreciation | - | 10,704,284 | 10,704,284 |
| Investments | 9,089,948 | - | 9,089,948 |
| | <u>9,155,189</u> | <u>13,532,773</u> | <u>22,687,962</u> |
| TOTAL ASSETS | <u>\$ 10,698,784</u> | <u>\$ 13,932,648</u> | <u>\$ 24,631,432</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 270,533 | \$ 98,901 | \$ 369,434 |
| Deferred revenue | 16,363 | 35,153 | 51,516 |
| Interest payable | - | 24,110 | 24,110 |
| Current portion of revenue note payable | - | 812,000 | 812,000 |
| Total current liabilities | <u>286,896</u> | <u>970,164</u> | <u>1,257,060</u> |
| LONG-TERM LIABILITIES | | | |
| Revenue note payable, net of current portion and issuance costs | - | 12,693,843 | 12,693,843 |
| Total long-term liabilities | <u>-</u> | <u>12,693,843</u> | <u>12,693,843</u> |
| Total liabilities | <u>286,896</u> | <u>13,664,007</u> | <u>13,950,903</u> |
| NET ASSETS | | | |
| Unrestricted, undesignated | 1,051,623 | 268,641 | 1,320,264 |
| Unrestricted, board designated endowment | 33,630 | - | 33,630 |
| Temporarily restricted | 5,859,990 | - | 5,859,990 |
| Permanently restricted | 3,466,645 | - | 3,466,645 |
| Total net assets | <u>10,411,888</u> | <u>268,641</u> | <u>10,680,529</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 10,698,784</u> | <u>\$ 13,932,648</u> | <u>\$ 24,631,432</u> |

The Hillsborough Community College Foundation, Inc.

STATEMENT OF ACTIVITIES SEGREGATING FOUNDATION ACTIVITIES
AND LEASING ACTIVITIES

For the year ended June 30, 2018

| | <u>Foundation</u> | <u>Hawks Landing</u> | <u>Total</u> |
|-----------------------------------|----------------------|----------------------|----------------------|
| Revenue and support | | | |
| Contributions | \$ 1,266,817 | \$ - | \$ 1,266,817 |
| Contributed services and in-kind | 786,200 | - | 786,200 |
| Grants revenue | 804,231 | - | 804,231 |
| Student housing operating revenue | - | 3,321,497 | 3,321,497 |
| Special events | 188,611 | - | 188,611 |
| Net investment income | 336,486 | - | 336,486 |
| Realized gains on investments | 22,706 | - | 22,706 |
| Unrealized loss on investments | 254,482 | - | 254,482 |
| Total revenue and support | <u>3,659,533</u> | <u>3,321,497</u> | <u>6,981,030</u> |
| Expenses | | | |
| Program expenses | 2,636,645 | - | 2,636,645 |
| Hawks Landing | - | 2,699,952 | 2,699,952 |
| Support services | 253,056 | - | 253,056 |
| Development | 480,254 | - | 480,254 |
| Total expenses | <u>3,369,955</u> | <u>2,699,952</u> | <u>6,069,907</u> |
| Change in net assets | 289,578 | 621,545 | 911,123 |
| Net assets at beginning of year | 9,961,131 | (191,725) | 9,769,406 |
| Transfers | <u>161,179</u> | <u>(161,179)</u> | <u>-</u> |
| Net assets at end of year | <u>\$ 10,411,888</u> | <u>\$ 268,641</u> | <u>\$ 10,680,529</u> |

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*

THE HILLSBOROUGH COMMUNITY COLLEGE FOUNDATION, INC.

June 30, 2018



RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara
Marc D. Sasser
Sam A. Lazzara
Kevin R. Bass
Jonathan E. Stein
Richard B. Gordimer, of Counsel
Cesar J. Rivero, in Memoriam (1942-2017)

Stephen G. Douglas
Michael E. Helton
Christopher F. Terrigino
James K. O'Connor

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

Governance Board
The Hillsborough Community College Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Hillsborough Community College Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tampa, Florida
July 25, 2018

A handwritten signature in black ink that reads "Buco, Gardner & Company, P.A." The signature is written in a cursive, flowing style.