

**FLAGLER COLLEGE, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**



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**FLAGLER COLLEGE, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Flagler College, Inc.  
St. Augustine, Florida

We have audited the accompanying consolidated financial statements of Flagler College, Inc., which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Trustees  
Flagler College, Inc.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Flagler College, Inc. as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Orlando, Florida  
October 28, 2019

**FLAGLER COLLEGE, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

| <b>ASSETS</b>  | 2019           | 2018           |
|--|----------------|----------------|
| Cash and Cash Equivalents  | \$ 14,519,623  | \$ 15,816,679  |
| Investments  | 96,339,065     | 88,090,417     |
| Accounts Receivable, Net Allowance of \$988,097 and<br>\$865,301 in 2019 and 2018, Respectively        | 667,016        | 2,015,154      |
| Inventories  | 303,729        | 184,507        |
| Prepaid Expenses and Other Assets  | 606,926        | 292,101        |
| Loans to Student, Net Allowance of \$79,800 in 2019 and 2018   | 214,953        | 243,492        |
| Other Loans and Advances   | 1,119,525      | 922,439        |
| Real Estate Investment   | 10,403,400     | 10,403,400     |
| Beneficial Interest in Perpetual Trust   | 5,614,022      | 5,572,232      |
| Land, Buildings, and Equipment, Net  | 121,985,545    | 125,827,947    |
| Total Assets   | \$ 251,773,804 | \$ 249,368,368 |
| <b>LIABILITIES AND NET ASSETS</b>  |                |                |
| <b>LIABILITIES</b>   |                |                |
| Accounts Payable and Accrued Liabilities   | \$ 6,022,385   | \$ 5,950,349   |
| Student Deposits and Prepayments   | 1,053,086      | 1,003,995      |
| Deferred Revenue   | 1,054,437      | 751,334        |
| Amounts Held on Behalf of Others   | 49,053         | 50,747         |
| U.S. Government Loan Funds Refundable  | 435,149        | 328,106        |
| Premium on Bonds Payable   | 3,968,441      | 4,391,225      |
| Bonds Payable, Net of Bond Issuance Costs of \$379,763 and<br>\$402,710 in 2019 and 2018, Respectively | 40,285,237     | 41,672,290     |
| Total Liabilities  | 52,867,788     | 54,148,046     |
| <b>NET ASSETS</b>  |                |                |
| Without Donor Restrictions   | 168,539,870    | 167,233,987    |
| With Donor Restrictions  | 30,366,146     | 27,986,335     |
| Total Net Assets   | 198,906,016    | 195,220,322    |
| Total Liabilities and Net Assets   | \$ 251,773,804 | \$ 249,368,368 |

See accompanying Notes to Consolidated Financial Statements.

**FLAGLER COLLEGE, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

|   | 2019                          |                            |                       | 2018                  |
|---|-------------------------------|----------------------------|-----------------------|-----------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 | Comparative<br>Total  |
| <b>OPERATING REVENUES AND SUPPORT</b>       |                               |                            |                       |                       |
| Tuition and Fees                            | \$ 50,341,975                 | \$ -                       | \$ 50,341,975         | \$ 50,190,832         |
| Less: Institutional Aid                     | (10,982,118)                  | -                          | (10,982,118)          | (9,834,801)           |
| Net Tuition and Fees                        | 39,359,857                    | -                          | 39,359,857            | 40,356,031            |
| Government Grants and Contracts             | 751,452                       | 466,155                    | 1,217,607             | 2,083,027             |
| Private Gifts and Grants                    | 786,579                       | 1,224,752                  | 2,011,331             | 1,378,073             |
| Investment Return Supporting Operations     | 2,868,770                     | -                          | 2,868,770             | 2,737,425             |
| Sales and Services of Auxiliary Enterprises | 13,816,833                    | -                          | 13,816,833            | 13,627,783            |
| Other Sources                               | 399,209                       | -                          | 399,209               | 342,409               |
| Net Assets Released from Restrictions       | 4,106,953                     | (4,106,953)                | -                     | -                     |
| Total Operating Revenues and Support        | 62,089,653                    | (2,416,046)                | 59,673,607            | 60,524,748            |
| <b>OPERATING EXPENSES</b>                   |                               |                            |                       |                       |
| Salaries, Wages and Benefits                | 31,638,739                    | -                          | 31,638,739            | 30,692,617            |
| Services, Supplies and Other                | 14,585,926                    | -                          | 14,585,926            | 14,850,071            |
| Plant, Utilities and Maintenance            | 6,950,016                     | -                          | 6,950,016             | 8,260,927             |
| Interest                                    | 1,438,243                     | -                          | 1,438,243             | 1,349,691             |
| Depreciation and Amortization               | 7,493,579                     | -                          | 7,493,579             | 7,893,275             |
| Total Operating Expenses                    | 62,106,503                    | -                          | 62,106,503            | 63,046,581            |
| <b>CHANGES IN OPERATING NET ASSETS</b>      | (16,850)                      | (2,416,046)                | (2,432,896)           | (2,521,833)           |
| <b>NONOPERATING ACTIVITY</b>                |                               |                            |                       |                       |
| Private Gifts and Grants                    | 249,998                       | 3,533,209                  | 3,783,207             | 951,916               |
| Loss on Extinguishment of Bonds             | -                             | -                          | -                     | (455,909)             |
| Net Investment Return                       | 3,941,505                     | 1,262,648                  | 5,204,153             | 5,689,352             |
| Less: Investment Distribution to Operations | (2,868,770)                   | -                          | (2,868,770)           | (2,737,425)           |
| Total Nonoperating Activity                 | 1,322,733                     | 4,795,857                  | 6,118,590             | 3,447,934             |
| <b>CHANGES IN NET ASSETS</b>                | 1,305,883                     | 2,379,811                  | 3,685,694             | 926,101               |
| Net Assets - Beginning of Year              | 167,233,987                   | 27,986,335                 | 195,220,322           | 194,294,221           |
| <b>NET ASSETS - END OF YEAR</b>             | <u>\$ 168,539,870</u>         | <u>\$ 30,366,146</u>       | <u>\$ 198,906,016</u> | <u>\$ 195,220,322</u> |

See accompanying Notes to Consolidated Financial Statements.

**FLAGLER COLLEGE, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

|   | 2018                          |                            |                       |
|---|-------------------------------|----------------------------|-----------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
| <b>OPERATING REVENUES AND SUPPORT</b>       |                               |                            |                       |
| Tuition and Fees                            | \$ 50,190,832                 | \$ -                       | \$ 50,190,832         |
| Less: Institutional Aid                     | (9,834,801)                   | -                          | (9,834,801)           |
| Net Tuition and Fees                        | 40,356,031                    | -                          | 40,356,031            |
| Government Grants and Contracts             | 274,179                       | 1,808,848                  | 2,083,027             |
| Private Gifts and Grants                    | 677,629                       | 700,444                    | 1,378,073             |
| Investment Return Supporting Operations     | 2,737,425                     | -                          | 2,737,425             |
| Sales and Services of Auxiliary Enterprises | 13,627,783                    | -                          | 13,627,783            |
| Other Sources                               | 342,409                       | -                          | 342,409               |
| Net Assets Released from Restrictions       | 3,202,058                     | (3,202,058)                | -                     |
| Total Operating Revenues and Support        | 61,217,514                    | (692,766)                  | 60,524,748            |
| <b>OPERATING EXPENSES</b>                   |                               |                            |                       |
| Salaries, Wages and Benefits                | 30,692,617                    | -                          | 30,692,617            |
| Services, Supplies and Other                | 14,850,071                    | -                          | 14,850,071            |
| Plant, Utilities and Maintenance            | 8,260,927                     | -                          | 8,260,927             |
| Interest                                    | 1,349,691                     | -                          | 1,349,691             |
| Depreciation and Amortization               | 7,893,275                     | -                          | 7,893,275             |
| Total Operating Expenses                    | 63,046,581                    | -                          | 63,046,581            |
| <b>CHANGES IN OPERATING NET ASSETS</b>      | (1,829,067)                   | (692,766)                  | (2,521,833)           |
| <b>NONOPERATING ACTIVITY</b>                |                               |                            |                       |
| Private Gifts and Grants                    | -                             | 951,916                    | 951,916               |
| Loss on Extinguishment of Bonds             | (455,909)                     | -                          | (455,909)             |
| Net Investment Return                       | 3,965,953                     | 1,723,399                  | 5,689,352             |
| Less: Investment Distribution to Operations | (2,737,425)                   | -                          | (2,737,425)           |
| Total Nonoperating Activity                 | 772,619                       | 2,675,315                  | 3,447,934             |
| <b>CHANGES IN NET ASSETS</b>                | (1,056,448)                   | 1,982,549                  | 926,101               |
| Net Assets - Beginning of Year              | 168,290,435                   | 26,003,786                 | 194,294,221           |
| <b>NET ASSETS - END OF YEAR</b>             | <u>\$ 167,233,987</u>         | <u>\$ 27,986,335</u>       | <u>\$ 195,220,322</u> |

See accompanying Notes to Consolidated Financial Statements.

**FLAGLER COLLEGE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

|  | 2019          | 2018          |
|--|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |               |               |
| Change in Net Assets   | \$ 3,685,694  | \$ 926,101    |
| Adjustments to Reconcile Change in Net Assets to Cash                        |               |               |
| Provided (Used) by Operating Activities:                                     |               |               |
| Contributions Restricted for LT Investment and Plant                         | (3,533,209)   | (951,916)     |
| Contributions of Property  | (300,973)     | -             |
| Depreciation   | 7,493,579     | 7,893,276     |
| Amortization of Bond Premium and Issuance Costs                              | (399,837)     | (420,822)     |
| Loss on Early Extinguishment of Bonds  | -             | 455,909       |
| Income and Net Realized Gains from Long-Term Investments                     | -             | (1,150,949)   |
| Net Unrealized Gains from Long-Term Investments                              | (2,682,816)   | (3,507,851)   |
| Loss (Gain) on Disposal of PPE   | 36,732        | (36,200)      |
| Change in Investment of Perpetual Trust                                      | (41,790)      | (120)         |
| Changes in Assets and Liabilities:   |               |               |
| Decrease (Increase) in Assets:   |               |               |
| Notes and Accounts Receivable  | 1,086,206     | (1,705,222)   |
| Prepaid Expenses   | (314,826)     | 549,013       |
| Other Assets   | (119,222)     | (51,280)      |
| (Decrease) Increase in Liabilities:  |               |               |
| Accounts Payable and Accrued Expenses  | 72,039        | (1,770,577)   |
| Student Deposits and Prepayments   | 49,091        | (966,649)     |
| Deferred Revenues and Other Liabilities                                      | 408,453       | 671,092       |
| Net Cash Provided (Used) by Operating Activities                             | 5,439,121     | (66,195)      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |               |               |
| Proceeds from Sales and Maturities of Investments                            | 44,451,290    | 36,629,080    |
| Purchase of Investments  | (50,017,280)  | (36,296,184)  |
| Purchases of Land, Buildings, and Equipment                                  | (3,399,310)   | (6,670,903)   |
| Proceeds from Sale of Land   | 12,373        | 36,200        |
| Repayments from Loans for Student and Faculty                                | 28,538        | 33,491        |
| Repayments of Other Loans  | 65,003        | 406,015       |
| Other Loans Issued   | -             | (961,920)     |
| Net Cash Used by Investing Activities  | (8,859,386)   | (6,824,221)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                  |               |               |
| Proceeds from Issuance of Long-Term Debt                                     | -             | 22,182        |
| Funds Paid on Long-Term Debt and Related                                     | (1,410,000)   | (810,050)     |
| Contributions Received Designated for Long-Term Investment and Plant         | 3,533,209     | 951,916       |
| Net Cash Provided by Financing Activities                                    | 2,123,209     | 164,048       |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                               | (1,297,056)   | (6,726,368)   |
| Cash and Cash Equivalents - Beginning of Year                                | 15,816,679    | 22,543,047    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                               | \$ 14,519,623 | \$ 15,816,679 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                      |               |               |
| Interest Paid  | \$ 1,846,394  | \$ 1,635,489  |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b> |               |               |
| Noncash Bond Proceeds Related to Refinancing                                 | \$ -          | \$ 17,854,458 |

See accompanying Notes to Consolidated Financial Statements.



**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 ORGANIZATION**

Flagler College, Inc. (the College) is a nonprofit coeducational college located in St. Augustine, Florida, with a branch campus in Tallahassee, Florida. The College has an enrollment of approximately 2,500 students, with about 60% from Florida and the remaining students representing 47 states and 51 countries. The College is supported largely by tuition and fees, contributions from alumni and benefactors, and earnings on investments.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

These consolidated financial statements are prepared on the accrual basis of accounting and focus on the College's resources and activities as a whole. Net assets, revenues, expenses, distributions, gains, and losses are classified based on the existence or absence of donor-imposed or other external restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of trustees.

*Net Assets With Donor Restrictions* – Net assets whose use by the College is subject to donor-imposed stipulations that can be either fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

**Basis of Consolidation**

The consolidated financial statements consist of the financial statements of the College, the Flagler College Endowment Fund, and the Jessie Kenan Wise Foundation. The consolidation is due to the fact that the sole purpose of both the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation is to function as a supporting organization of the College. All material inter-organization transactions have been eliminated.

**Cash and Cash Equivalents**

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, with the exception of those short-term financial instruments held for meeting restrictions of a capital, reserve, or endowment nature, and those equivalents that are part of the beneficial interest in perpetual trust.

The College maintains cash in various financial institutions, which periodically exceeds federally insured limits. Management does not anticipate nonperformance by the financial institutions.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

The College carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Realized and unrealized gains and losses on investments are shown as net realized and unrealized gains in the fair market value of investments in the consolidated statements of activities. Investment return includes interest, dividends and both realized and unrealized gains and losses.

The College carries equity securities without readily determinable fair values at the fair market value as of the date the investments were donated to the College. The College obtains appraisals for purposes of determining updated fair market values which the underlying assets of the equity are real estate investments in instances where there is an indication of a significant change in fair market value.

**Accounts Receivable**

Accounts receivable includes receivables due for tuition, fees, and room and board from currently enrolled and former students. If a portion of the remaining student accounts receivable balances are considered questionable regarding full collection, the College will provide an allowance for doubtful accounts for those accounts.

**Land, Buildings, and Equipment**

Land, buildings, and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (3 to 50 years). The College uses estimated salvage values ranging from 5% to 10% of original cost, except for computer equipment and library books, which are assigned no salvage values. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for renewals and improvements that materially prolong the useful lives of assets are capitalized.

**Works of Art, Historical Treasures, and Similar Assets**

The College capitalizes works of art, historical treasures, and similar assets, whether held as part of a collection (for education, research or public exhibition rather than for sale), for sale, or other purpose. Accessions are capitalized at cost if purchased and at appraised or fair value at date of accession if received by donation. Gains and losses on deaccessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation. See Note 11 for additional disclosures.

**Estimates**

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition and Release of Restrictions**

Tuition and Fees

The College recognizes student tuition and fees revenue within the fiscal year in which educational services are provided. Scholarships and financial aid grants are reported as a reduction of tuition and fee revenues in the form of Institutional aid in the consolidated statements of activities. Institutional aid is provided from earnings on restricted funds, certain board-designated endowments, and through unfunded discounts. Tuition and fees are presented net of Institutional aid on the consolidated statements of activities and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. The Institutional aid provided to students was \$10,982,118 in 2019, and \$9,834,801 in 2018. Cash payments to students in excess of published prices, excluding compensation, are reported as Institutional aid in the consolidated statements of activities.

The College's tuition and fee revenue is derived from its Main Campus Liberal Arts and Graduate Programs (Main Campus), Flagler College Tallahassee, and Public Administration Program. These programs have fall (August-December) and spring (January-May) terms; however only the Main Campus and Flagler College Tallahassee have summer terms. The Main Campus has two summer terms. The first term begins early May and concludes at the end of June, and the second term starts in early July and ends mid-August. Flagler College Tallahassee has four summer terms; two begin in May and conclude in June, One begins in May and concludes in July, and one begins in June and concludes in August. Revenue for each summer term is recognized ratably over the period for which educational services are provided. At June 30, 2019, any amounts of unrecognized tuition and fees that have been billed will be recorded in deferred revenue in the accompanying consolidated statement of financial position.

Students secure their enrollment and housing in the campus-based programs by paying nonrefundable deposits for the following academic term. The deposits are applied against the charges for the academic and residential programs. Enrollment and housing deposits for the past two years are included in the deferred revenue summary of significant accounting policies section.

Deferred revenue amounts for the multi-year prepayment plans, student deposits, and summer terms are shown in Note 2.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received and within the appropriate net asset category, decreases of liabilities, or expenses depending on the form of the benefits received. 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.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition and Release of Restrictions (Continued)**

Investment Income or Loss

Investment income or loss includes (a) interest, dividends, and realized and unrealized gains and losses on investments controlled by the College and (b) changes in valuation of alternative investments based on net asset value. In the absence of explicit donor stipulations for its use, investment income is reported as an increase in net assets without donor restriction. Change in the fair value of investments held in trust by others is reported as donor-restricted investment income or loss, consistent with the classification of underlying assets.

Auxiliary Enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public. A fee is charged for the goods or services, which may or may not equal the costs of the goods or services. Residence halls and food services make up the majority of auxiliary revenues. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions. Payments for housing and dining services are due approximately 30 days prior to the start of the academic term. Housing and dining plans are offered during the fall, spring, and first summer term of the Main campus. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The College incurred expenses amounting to \$1,033,965 and \$936,603 related to development and fundraising for the years ended June 30, 2019 and 2018, respectively. Such amounts are included in operating activity in the accompanying consolidated statements of activities.

**Income Tax Status**

The College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the College qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The College is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. The College has evaluated its tax positions and determined it has no uncertain tax positions and has not recorded any obligations for unrelated business income tax.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Revenue**

Deferred revenue represents payments received prior to the start of the academic term. The following table depicts activities for deferred revenue related to tuition, fees, and auxiliary services.

|   | Main Campus<br>Summer Tuition<br>and Fees | Tallahassee<br>Summer Tuition<br>and Fees | Advance<br>Deposits for<br>upcoming<br>Academic Year | Total       |
|---|---|---|--|-------------|
| Balance at June 30, 2017                                | \$ -                                      | \$ 80,040                                 | \$ 555,500   | \$ 635,540  |
| Revenue Recognized, Deposits<br>Applied/Forfeited       | -   | (80,040)                                  | (555,500)  | (635,540)   |
| Payments Received for Future<br>Performance Obligations | 658,525                                   | 92,809                                    | 512,113  | 1,263,447   |
| Balance at June 30, 2018                                | 658,525                                   | 92,809                                    | 512,113  | 1,263,447   |
| Revenue Recognized, Deposits<br>Applied/Forfeited       | (658,525)                                 | (92,809)                                  | (512,113)  | (1,263,447) |
| Payments Received for Future<br>Performance Obligations | -   | 132,839                                   | 531,980  | 664,819     |
| Balance at June 30, 2019                                | \$ -                                      | \$ 132,839                                | \$ 531,980   | \$ 664,819  |

The balance of deferred revenue at June 30, 2019 less any refunds will be recognized as revenue as services are rendered. The College applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The College anticipates that students enrolled for the fall semester will continue their studies in the spring semester, and that students who receive their baccalaureate degree in December or May will be replaced by an equivalent number of new enrollees.

**U.S. Government Loan Funds Refundable**

Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the government.

**Measure of Operations**

In its consolidated statements of activities, the College includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activity consists primarily of investment income greater (less) than spending rate and contributions for endowment and capital purchases.

**Subsequent Events**

Subsequent events have been evaluated and disclosed appropriately through October 28, 2019, which is the date the consolidated financial statements were available to be issued.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain reclassifications have been made to the prior year's consolidated financial statements in order for them to be in conformity with the current year presentation. The reclassifications had no effect on the change in net assets or total net assets previously reported.

**New Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The College has adjusted the presentation of these consolidated statements accordingly. The ASU has been applied retrospectively to all periods presented.

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, to the ASC, to require the deferral of incremental costs of obtaining a contract with a customer.

In 2019, the College adopted FASB ASC Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the College's financial position and results of operations upon adoption of the new standard.

The College has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists the university in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. There was no material impact on the College's financial position and results of operations upon adoption of the new standard.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 3 INVESTMENTS**

Investments in the consolidated statements of financial position at June 30, 2019 and 2018, consist of the following:

|   | 2019          |               | 2018          |               |
|---|---------------|---------------|---------------|---------------|
|   | Cost          | Fair Value    | Cost          | Fair Value    |
| <b>OPERATING INVESTMENTS</b>                            |               |               |               |               |
| Marketable Common Stock                                 | \$ 3,069      | \$ 3,069      | \$ 214,524    | \$ 213,677    |
| Equity Mutual Funds                                     | 19,042,732    | 23,354,602    | 20,925,094    | 24,884,962    |
| Fixed Income Mutual Funds                               | 13,229,134    | 13,384,671    | 5,209,981     | 5,108,558     |
| Other Investments                                       | 655,064       | 655,064       | 700,061       | 700,061       |
| Total Operating Investments                             | 32,929,999    | 37,397,406    | 27,049,660    | 30,907,258    |
| <b>ENDOWMENTS</b>                                       |               |               |               |               |
| Money Market and Other Equity and Private Capital Funds | 6,339,789     | 6,339,789     | 1,508,694     | 1,508,694     |
| Marketable Common Stock                                 | 2,508,962     | 3,076,543     | 2,143,037     | 2,582,495     |
| Marketable Fixed Income Securities                      | 24,758,111    | 25,958,454    | 30,162,471    | 31,721,541    |
| Real Estate and Infrastructure Assets                   | 15,121,541    | 15,446,356    | 13,284,384    | 13,079,246    |
| Hedge Funds   | 2,493,075     | 2,864,057     | 3,076,845     | 3,055,067     |
| Total Endowments  | 56,341,306    | 58,941,659    | 55,325,931    | 57,183,159    |
| Total Investments                                       | \$ 89,271,305 | \$ 96,339,065 | \$ 82,375,591 | \$ 88,090,417 |

Investment Income included in Net Investment Return on the accompanying consolidated statement of activities for the year ended June 30, 2019 and 2018 is as follows:

|                         | 2019         | 2018         |
|-------------------------|--------------|--------------|
| Interest and Dividends  | \$ 2,795,588 | \$ 1,966,135 |
| Net realized gains      | 1,075,226    | 1,754,338    |
| Net unrealized gains    | 1,607,590    | 2,253,906    |
| Investment Expenses     | (339,696)    | (344,120)    |
| Total Investment Return | \$ 5,138,708 | \$ 5,630,258 |



**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 ENDOWMENTS**

The College has adopted the provisions of the accounting standard for endowments of nonprofit organizations. The standard was issued to provide guidance on the net asset classification of donor-restricted endowment funds for nonprofit organizations, and to provide increased disclosures about an organization's endowment funds.

The College's net assets with donor restrictions consist of multiple endowment funds. These include endowed scholarship funds and endowed program service funds that have donor-imposed restrictions. These endowed scholarship and program service funds fall under the control of the governing body of the College, the board of trustees.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets consist of the following:

|  | June 30, 2019                 |                            |                      |
|--|-------------------------------|----------------------------|----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Board Designated Endowment Funds   | \$ 44,895,660                 | \$ -                       | \$ 44,895,660        |
| Donor-Restricted Endowment Funds:  |                               |                            |                      |
| Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor | -                             | 20,814,650                 | 20,814,650           |
| Accumulated Investment Gains   | -                             | 4,521,094                  | 4,521,094            |
| <b>Total Endowment Funds</b>   | <b>\$ 44,895,660</b>          | <b>\$ 25,335,744</b>       | <b>\$ 70,231,404</b> |
|  |                               |                            |                      |
|  | June 30, 2018                 |                            |                      |
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Board Designated Endowment Funds   | \$ 44,408,780                 | \$ -                       | \$ 44,408,780        |
| Donor-Restricted Endowment Funds:  |                               |                            |                      |
| Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor | -                             | 20,118,029                 | 20,118,029           |
| Accumulated Investment Gains   | -                             | 4,685,781                  | 4,685,781            |
| <b>Total Endowment Funds</b>   | <b>\$ 44,408,780</b>          | <b>\$ 24,803,810</b>       | <b>\$ 69,212,590</b> |



**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 ENDOWMENTS (CONTINUED)**

Changes in endowment net assets for the years ended June 30, 2019 and 2018, are as follows:

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|---|-------------------------------|----------------------------|----------------------|
| Endowment Net Assets<br>June 30, 2017         | \$ 43,177,706                 | \$ 23,711,068              | \$ 66,888,774        |
| Investment Income                             | 901,538                       | 490,774                    | 1,392,312            |
| Net Appreciation<br>(Realized and Unrealized) | 1,173,457                     | 800,727                    | 1,974,184            |
| Contributions                                 | 95,808                        | 532,539                    | 628,347              |
| Distributed Earnings                          | (939,729)                     | (731,298)                  | (1,671,027)          |
| Endowment Net Assets<br>June 30, 2018         | 44,408,780                    | 24,803,810                 | 69,212,590           |
| Investment Income                             | 1,069,871                     | 738,403                    | 1,808,274            |
| Net Appreciation<br>(Realized and Unrealized) | 621,967                       | 524,245                    | 1,146,212            |
| Contributions                                 | -                             | 696,621                    | 696,621              |
| Distributed Earnings                          | (1,224,958)                   | (1,453,872)                | (2,678,830)          |
| Transfers to Fund Endowment                   | 20,000                        | 26,537                     | 46,537               |
| Endowment Net Assets<br>June 30, 2019         | <u>\$ 44,895,660</u>          | <u>\$ 25,335,744</u>       | <u>\$ 70,231,404</u> |

**Interpretation of Relevant Law**

The Board of Trustees of the College (the Board) has interpreted the state of Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the board to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the board may expend so much of an endowment fund as the board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund. The board determined that the following factors, if relevant, are taken into consideration:

- The purposes of the institution;
- The intent of the donors of the endowment fund;
- The terms of the applicable instrument;
- The long-term and short-term needs of the institution in carrying out its purposes;
- The general economic conditions;
- The possible effect of inflation or deflation;
- The other resources of the institution;
- The perpetuation of the endowment;

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

- The present and anticipated financial resources of the institution;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio of the institutional fund;
- The expected total return from income and the appreciation of its investments;
- The needs of the institution and the institutional fund for liquidity, regularity of income, and preservation or appreciation of capital;
- An asset's special relationship or special value, if any, to the purposes of the applicable gift instruction or to the institution.

As a result of this interpretation, the board classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to a perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by FUPMIFA.

The Flagler College Endowment Board has interpreted the State of North Carolina Statute (Chapter 36E) cited as the "North Carolina Uniform Prudent Management of Institutional Funds Act" (NCUPMIFA), as it relates to the Jessie Kenan Wise Foundation, a trust which is subject to the laws of the state of North Carolina. NCUPMIFA requires the Flagler College Endowment Board, subject to the intent of a donor expressed in a gift instruction, to manage and to invest the fund in good faith and with the care of an ordinarily prudent person, and to appropriate for expenditure as is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, acting in good faith and with the care of an ordinarily prudent person. The Flagler College Endowment Board determined that the following factors, if relevant, are taken into consideration:

- General economic conditions;
- The possible effect of inflation or deflation;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio of the fund;
- The expected total return from income and the appreciation of investments;
- Other resources of the institution;
- The needs of the institution and the fund to make distributions and to preserve capital;
- An asset's special relationship or special value, if any, to the charitable purposes of the institution;
- The duration and preservation of the endowment fund;
- The purposes of the institution and the endowment fund;
- The investment policy of the institution.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

As a result of this interpretation, the Flagler College Endowment Board classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to a perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NCUPMIFA. The terms of the trust agreement for the Jessie Kenan Wise Foundation provide specific stipulations relating to annual appropriations for expenditure (details provided in Note 8).

The Board of Directors of the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation passed a resolution on October 27, 2009, documenting its interpretation of NCUPMIFA, as it relates to the Jessie Kenan Wise Foundation. The Board of Directors of the Flagler College Endowment Fund passed a resolution on October 27, 2009, documenting that there are no donor restrictions on the Flagler College Endowment Fund that would result in a net asset classification of donor restricted, and also documenting that the Flagler College Endowment Fund net assets are appropriately classified as without donor restrictions.

**Investment Return Objectives, Risk Parameters, and Strategies**

The College has adopted investment and spending policies, approved by the board of trustees and by the Flagler College Endowment Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. The investment philosophy endorses a long-term perspective in the investment management of the endowment funds. Long-term growth of income and principal is more important than short-term trading strategies of high immediate cash income. Acceptable investments will be those securities which are likely to produce an above average return over a long period of time as measured by cumulative income payments and future market valuation. Accordingly, the investment objective is to earn an average compound real rate-of-return, over and above inflation, of 5% per annum, net of distributions. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The investment policies for the endowment scholarship funds and the endowed program service funds are approved by the Board of Trustees of the College. The investment policies for the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation are approved by the Flagler College Endowment Board.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 ENDOWMENTS (CONTINUED)**

**Spending Policy**

In establishing its spending policies, the College considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The College expects that the spending policies will provide a predictable stream of funding, will preserve the real purchasing power of the endowment assets, and will provide additional real growth through new gifts and investment return.

For the endowed scholarship funds and endowed program service funds, the College has a policy, approved by the board of trustees, to appropriate for distribution each year an amount that should not exceed 5% of the endowment fund's estimated market value. The spending policy allows the College to use its discretion in determining the lower limit of the distribution, in consideration of the factors outlined in FUMIFA, and in consideration of preservation of the value that is to be retained in perpetuity.

The spending policy for the Jessie Kenan Wise Foundation is stipulated by the trust agreement, which was amended in a prior year (see Note 8).

The College has a policy for the Flagler College Endowment Fund, approved by the Flagler College Endowment Board, to appropriate for distribution each year an amount not to exceed 5% of the three-year moving average of the total market value of the Endowment's earning assets. Earning assets are defined as the sum of all securities managed by the Endowments Investment Advisor(s). The spending policy allows the College to use its discretion in determining the lower limit of the distribution, taking into consideration factors such as economic conditions, the needs of the College, and maintaining the purchasing power of the endowment fund.

**NOTE 5 FAIR VALUE MEASUREMENT**

The College adopted the provisions of the standard for fair value measurements of financial assets and financial liabilities, and for fair value measurements of nonfinancial items that are recognized and disclosed at fair value in the consolidated financial statements on a recurring basis. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

*Level 1* – Fair values are based on quoted prices in active markets for identical assets and liabilities.

*Level 2* – Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)**

*Level 3* – Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

The following methods and assumptions were used to estimate the fair values of investments in the tables below:

- Marketable common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.
- Marketable fixed income securities: Valued at quoted prices or valuations provided by commercial pricing services.
- Mutual funds: Valued at the closing price reported on the active market or valuations provided by commercial pricing services.
- Real estate and infrastructure assets: Valued at the closing price reported on the active market on which the individual assets are traded.
- Hedge funds, and equity private capital funds: Valued at the net asset value (NAV) of units held by the College at year-end. As of June 30, 2019, remaining uncalled commitments approximated \$1,085,992.
- Other investments: Annuity contracts value based on management estimates and/or discounted cash flow methodologies. There are no unfunded commitments at June 30, 2019.
- Beneficial interest in perpetual trust: Valued at the net asset value (NAV) of units held by the trustee at year-end. There are no unfunded commitments at June 30, 2019.
- Money market funds: At June 30, 2019 and 2018, money market funds of \$1,174,037 and \$908,471, respectively, are included in investments at and are recorded at cost.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)**

Information related to the College's investments and its beneficial interest in a perpetual trust measured at fair value is as follows:

|   | June 30, 2019        |             |                   |                     |                      | Redemption<br>or Liquidation | Days'<br>Notice |
|---|----------------------|-------------|-------------------|---------------------|----------------------|------------------------------|-----------------|
|   | Level 1              | Level 2     | Level 3           | Measured<br>at NAV  | Total                |                              |                 |
| Marketable Common Stock                   | \$ 25,961,523        | \$ -        | \$ -              | \$ -                | \$ 25,961,523        | Daily                        | 1               |
| Marketable Fixed Income                   |                      |             |                   |                     |                      |                              |                 |
| Securities                                | 15,446,356           | -           | -                 | -                   | 15,446,356           | Daily                        | 1               |
| Other Investments                         | -                    | -           | 655,064           | -                   | 655,064              | Illiquid                     | N/A             |
| Equity Mutual Funds                       | 23,354,602           | -           | -                 | -                   | 23,354,602           | Daily                        | 1               |
| Fixed Income Mutual Funds                 | 13,384,671           | -           | -                 | -                   | 13,384,671           | Daily                        | 1               |
| Real Estate and                           |                      |             |                   |                     |                      |                              |                 |
| Infrastructure Assets                     | 2,864,057            | -           | -                 | -                   | 2,864,057            | Daily                        | 1               |
| Hedge Funds                               | -                    | -           | -                 | 5,256,460           | 5,256,460            | Various                      | 30-90           |
| Equity and Private                        |                      |             |                   |                     |                      |                              |                 |
| Capital Funds                             | -                    | -           | -                 | 3,076,543           | 3,076,543            | Illiquid                     | N/A             |
| Investments                               | 81,011,209           | -           | 655,064           | 8,333,003           | 89,999,276           |                              |                 |
| Beneficial Interest in<br>Perpetual Trust | 5,117,347            | -           | -                 | 496,675             | 5,614,022            | Daily & Illiquid             | 1 & N/A         |
|   | <u>\$ 86,128,556</u> | <u>\$ -</u> | <u>\$ 655,064</u> | <u>\$ 8,829,678</u> | <u>\$ 95,613,298</u> |                              |                 |

  

|   | June 30, 2018        |             |                   |                     |                      | Redemption<br>or Liquidation | Days'<br>Notice |
|---|----------------------|-------------|-------------------|---------------------|----------------------|------------------------------|-----------------|
|   | Level 1              | Level 2     | Level 3           | Measured<br>at NAV  | Total                |                              |                 |
| Marketable Common Stock                   | \$ 31,935,218        | \$ -        | \$ -              | \$ -                | \$ 31,935,218        | Daily                        | 1               |
| Marketable Fixed Income                   |                      |             |                   |                     |                      |                              |                 |
| Securities                                | 13,079,246           | -           | -                 | -                   | 13,079,246           | Daily                        | 1               |
| Other Investments                         | -                    | -           | 700,061           | -                   | 700,061              | Illiquid                     | N/A             |
| Equity Mutual Funds                       | 24,884,962           | -           | -                 | -                   | 24,884,962           | Daily                        | 1               |
| Fixed Income Mutual Funds                 | 5,108,558            | -           | -                 | -                   | 5,108,558            | Daily                        | 1               |
| Real Estate and                           |                      |             |                   |                     |                      |                              |                 |
| Infrastructure Assets                     | 3,055,067            | -           | -                 | -                   | 3,055,067            | Daily                        | 1               |
| Hedge Funds                               | -                    | -           | -                 | 5,236,116           | 5,236,116            | Various                      | 30-90           |
| Equity and Private                        |                      |             |                   |                     |                      |                              |                 |
| Capital Funds                             | -                    | -           | -                 | 2,582,495           | 2,582,495            | Illiquid                     | N/A             |
| Investments                               | 78,063,051           | -           | 700,061           | 7,818,611           | 86,581,723           |                              |                 |
| Beneficial Interest in<br>Perpetual Trust | 4,944,751            | -           | -                 | 627,481             | 5,572,232            | Daily & Illiquid             | 1 & N/A         |
|   | <u>\$ 83,007,802</u> | <u>\$ -</u> | <u>\$ 700,061</u> | <u>\$ 8,446,092</u> | <u>\$ 92,153,955</u> |                              |                 |

The table below presents a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2019 and 2018:

|                                  | 2019              | 2018              |
|----------------------------------|-------------------|-------------------|
| Beginning Balance                | \$ 700,061        | \$ 752,198        |
| Amortization of Annuity Contract | (44,997)          | (52,137)          |
| Ending Balance                   | <u>\$ 655,064</u> | <u>\$ 700,061</u> |

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 6 REAL ESTATE INVESTMENT**

In prior years, the Flagler College Endowment Fund received gifts of Stocking Island Limited Common Stock (Stocking Island Limited) to further the purpose of the Endowment Fund. This entity is consolidated within the fund. Fair value of the underlying real estate is not readily available and, accordingly, the value is updated on a nonrecurring basis. At June 30, 2019 and 2018, it is estimated by management to be \$10,403,400.

On January 16, 2015, Stocking Island Limited entered into a purchase and sale agreement for one tract (tract 9) with a purchase price of \$3,850,000, with a closing date no later than 12 months following the date of execution. Subsequent addendum's were signed with the most recent one on May 19, 2019, which agreed to a closing date no later than June 18, 2020. The various option agreement payments amounted to \$14,341 monthly through June 30, 2019.

**NOTE 7 LOANS TO STUDENTS**

The College issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At June 30, 2019 and 2018, student loans represented less than 1% of total assets.

At June 30, 2019 and 2018, student loans consisted of the following:

|  | 2019       | 2018       |
|--|------------|------------|
| Federal Government Programs            | \$ 292,966 | \$ 321,505 |
| Institutional Programs                 | 1,787      | 1,787      |
|  | 294,753    | 323,292    |
| Less: Allowance for Doubtful Accounts: |            |            |
| Beginning of Year                      | (79,800)   | (79,800)   |
| Increases                              | -          | -          |
| Write Offs                             | -          | -          |
| End of Year                            | (79,800)   | (79,800)   |
| Loan to Students, Net                  | \$ 214,953 | \$ 243,492 |



**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 7 LOANS TO STUDENT (CONTINUED)**

Funds advanced by the federal government of \$435,149 and \$328,106 at June 30, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position.

At June 30, 2019 and 2018, the following amounts were past due under student loan programs:

| June 30, | 1-60 Days<br>Past Due | 60-90 Days<br>Past Due | 90+ Days<br>Past Due | Total Past<br>Due |
|----------|-----------------------|------------------------|----------------------|-------------------|
| 2019     | \$ 254                | \$ 60                  | \$ 122,887           | \$ 123,201        |
| 2018     | \$ 366                | \$ 57                  | \$ 117,890           | \$ 118,313        |

**NOTE 8 BENEFICIAL INTEREST IN PERPETUAL TRUST**

The College is the beneficiary of a trust created by a donor; the assets of which are not in the possession of the College (Jessie Kenan Wise Foundation). The College has legally enforceable rights and claims to such assets, including the sole right to income there from. The Trustees of the Jessie Kenan Wise Foundation petitioned the Court to convert the trust from an income trust to a total return unitrust. The Petition was approved and made effective on March 1, 2009.

Under the terms of the original Trust Agreement, effective through February 28, 2009, the principal of the trust fund was required to be maintained intact in perpetuity. Further, the entire net income of the trust fund was to be distributed to the College no later than the end of the following fiscal year. Commencing on March 1, 2009, the annual distribution to the College is based on the greater of 5% of the fair market value of the trust fund or the amount required by IRS Section 4942 of the Internal Revenue Code. The cost and fair value of the beneficial interest at June 30, 2019 and 2018, were as follows:

|  | 2019                |                     | 2018                |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Cost                | Fair<br>Value       | Cost                | Fair<br>Value       |
| Equity Assets                            | \$ 2,666,500        | \$ 2,856,617        | \$ 2,815,147        | \$ 2,974,881        |
| Fixed Income Assets                      | 1,811,697           | 1,848,747           | 1,747,398           | 1,716,534           |
| Real Estate and<br>Infrastructure Assets | 274,139             | 281,324             | 334,848             | 332,233             |
| Equity and Private<br>Capital Funds      | 405,046             | 496,675             | 345,971             | 416,917             |
| Money Market                             | 130,662             | 130,659             | 131,667             | 131,667             |
| Total                                    | <u>\$ 5,288,044</u> | <u>\$ 5,614,022</u> | <u>\$ 5,375,031</u> | <u>\$ 5,572,232</u> |



**FLAGLER COLLEGE, INC.**  
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**NOTE 9 LAND, BUILDINGS, AND EQUIPMENT, NET**

Land, buildings, and equipment consisted of the following at June 30:

|                                | <u>2019</u>                  | <u>2018</u>                  |
|--------------------------------|------------------------------|------------------------------|
| Land                           | \$ 12,475,917                | \$ 12,475,917                |
| Buildings and Improvements     | 172,711,883                  | 171,599,145                  |
| Furnishings and Equipment      | 25,280,966                   | 24,740,747                   |
| Library Books                  | 4,621,646                    | 4,556,107                    |
| Art Collection                 | <u>646,677</u>               | <u>394,809</u>               |
|                                | 215,737,089                  | 213,766,725                  |
| Less: Accumulated Depreciation | <u>(95,777,979)</u>          | <u>(88,327,493)</u>          |
|                                | 119,959,110                  | 125,439,232                  |
| Construction in Progress       | <u>2,026,435</u>             | <u>388,715</u>               |
| Total                          | <u><u>\$ 121,985,545</u></u> | <u><u>\$ 125,827,947</u></u> |

Idle land and buildings (those not currently in use by the College) included above totaled \$468,688 at June 30, 2019 and 2018.

**NOTE 10 CONSTRUCTION IN PROGRESS**

At June 30, 2019 and 2018, construction in progress consisted of the following projects:

|                                | <u>2019</u>                | <u>2018</u>              |
|--------------------------------|----------------------------|--------------------------|
| Lacrosse Field (Surplus Funds) | \$ 59,268                  | \$ 38,877                |
| Ashlar Lodge Rental Space      | 89,770                     | 32,600                   |
| Molly Wiley Art Building       | 473                        | 316,308                  |
| Ponce Kitchen Reno             | 7,483                      | 930                      |
| Ponce Dining Repairs           | 1,864,461                  | -                        |
| Kenan 3rd Floor                | <u>4,980</u>               | <u>-</u>                 |
| Total                          | <u><u>\$ 2,026,435</u></u> | <u><u>\$ 388,715</u></u> |

The College has entered into various contracts for construction of new academic buildings and other infrastructure improvements. As of June 30, 2019 and 2018, the remaining commitment on these contracts totaled \$1,203,781 and \$682,990, respectively. The projects are being financed with contributions and institutional funds.

**NOTE 11 ART COLLECTION**

The College owns a substantial collection of paintings, sculptures, and other works of art. Most of the collection was located in the original hotel building at the date of purchase. No value was assigned to the art collection at the date of sale and, accordingly, no value is recorded on the consolidated financial statements for the original collection. The amount shown on the consolidated financial statements represents the value assigned to works of art donated to Flagler College since its inception.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 LONG-TERM DEBT**

**Series 2017 Bonds**

On December 19, 2017, the Higher Education Facilities Financing Authority issued \$16,115,000 of Series 2017 Educational Facilities Refunding Revenue Bonds. The proceeds of the sale of the Series 2017 Bonds will be loaned by the Authority to the College to (a) refund in full the Issuer's (i) Educational Facilities Revenue Bonds (Flagler College, Inc. Project), Series 2005 and (ii) Educational Facilities Revenue Refunding Bonds (Flagler College, Inc. Project), Series 2011, outstanding in the combined aggregate principal amount of \$9,445,826, (b) refund in full the College's obligations with respect to the St. Johns County Educational Facilities Authority Revenue Bonds (Flagler College Project), Series 2011, outstanding in the aggregate principal amount of \$8,123,216 and (c) pay costs of issuing the Series 2017 Bonds.

The 2017 Bonds have maturity dates ranging from 2018 to 2033 in amounts ranging from \$700,000 to \$1,350,000. At June 30, 2019 and 2018, the outstanding balance on the Series 2017 bonds was \$15,415,000 and \$16,115,000, respectively.

**Series 2016 A&B Bonds**

On August 3, 2016, the Higher Educational Facilities Financing Authority issued \$10,840,000 and \$16,775,000, respectively, of Series A and Series B Educational Facilities Revenue Bonds (the 2016 Bonds). The proceeds of the Series A Bonds were used for the purpose of construction of (a) the Student Residence building located at 1 Malaga Street, consisting of a 52,800 square foot three story residence hall; construction of a 13,728 square foot, two story commons building that will connect the FEC Building C to the new student residence building located at 1 Malaga Street, construction of a new five-level parking garage which will have approximately 551 parking spaces to be located at 1 Malaga Street, (b) fund certain other renovations to residence halls, classrooms, the library, upgrading the HVAC system and roofing projects, all at the main address of the campus which is 74 King Street, (c) fund renovations to Anderson Cottage located at 48 Sevilla Street, and (d) pay the costs of issuing the Series 2016A Bonds. The proceeds of the sale of the Series 2016B Bonds were loaned by the Authority to the College to (a) refund all of the outstanding Higher Educational Facilities Financing Authority Revenue Bonds (Flagler College, Inc. Project), Series 2006 in the original aggregate principal amount of \$20,000,000 (the Series 2006 Bonds), outstanding in the aggregate principal amount of \$16,775,000 and (b) pay the costs of issuing the Series 2016B Bonds.

The 2016 Bonds maturity dates ranged from 2016 to 2046 in amounts ranging from \$195,000 to \$1,100,000. The 2016 Bonds are subject to optional redemption to their respective stated maturities upon the direction of the College, as a whole or part in such that maturities are designated by the College and by random selection within a maturity at a redemption price of 100%, plus interest accrued. The 2016 Bonds have a variable interest rate between 2-5%. The outstanding balance on the Series 2016 Bonds were \$25,250,000 and \$25,960,000, respectively, as of June 30, 2019 and 2018.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 12 LONG TERM DEBT (CONTINUED)**

**Collateralization**

The bonds and loans are collateralized with the College's gross revenues.

**Future Maturities**

Principal repayments on long-term debt during the next five years and thereafter are as follows:

| <u>Year Ending June 30,</u>           | <u>Amount</u>               |
|---------------------------------------|-----------------------------|
| 2020                                  | \$ 1,480,000                |
| 2021                                  | 1,550,000                   |
| 2022                                  | 1,630,000                   |
| 2023                                  | 1,700,000                   |
| 2024                                  | 1,785,000                   |
| Thereafter                            | <u>32,520,000</u>           |
| Subtotal                              | 40,665,000                  |
| Less: Unamortized Bond Issuance Costs | <u>(379,763)</u>            |
| Total Net                             | <u><u>\$ 40,285,237</u></u> |

Interest expense was \$1,836,998 and \$1,758,297 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 13 RESTRICTION AND LIMITATIONS ON NET ASSETS**

The College's Board of Trustees has chosen to place the following limitations on net assets without donor restrictions:

|  | <u>2019</u>                  | <u>2018</u>                  |
|--|------------------------------|------------------------------|
| Designated for Endowment Purposes                | \$ 44,895,660                | \$ 44,326,196                |
| Designated for Plant Expansion                   | 58,373                       | 682,990                      |
| Designated for College Programs                  | <u>216,898</u>               | <u>82,584</u>                |
| Designated Net Assets Without Donor Restrictions | 45,170,931                   | 45,091,770                   |
| Investment in Plant                              | 82,283,695                   | 83,836,602                   |
| Undesignated Net Assets                          | <u>41,085,244</u>            | <u>38,305,615</u>            |
| Total  | <u><u>\$ 168,539,870</u></u> | <u><u>\$ 167,233,987</u></u> |

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 13 RESTRICTION AND LIMITATIONS ON NET ASSETS (CONTINUED)**

Net assets with donor restrictions are available for the following purposes:

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| With Donor Restrictions - Program Restricted     |                      |                      |
| Subject to Expenditure for Specified Purpose not |                      |                      |
| invested in perpetuity:                          |                      |                      |
| Student Scholarships                             | \$ 589,613           | \$ 426,298           |
| Education, Student Services and General Support  | 1,810,115            | 2,129,380            |
| Capital Projects                                 | 2,630,674            | 626,847              |
| Total  | <u>5,030,402</u>     | <u>3,182,525</u>     |
| With Donor Restrictions - Endowment              |                      |                      |
| Subject to the College's Spending policy and     |                      |                      |
| appropriation, not invested in perpetuity:       |                      |                      |
| Student Scholarship Funds                        | 1,735,241            | 1,750,224            |
| Endowed Program Service Funds                    | 2,785,853            | 2,935,557            |
| Total  | <u>4,521,094</u>     | <u>4,685,781</u>     |
| Invested in Perpetuity:                          |                      |                      |
| Student Scholarship Funds                        | 11,952,492           | 11,333,425           |
| Endowed Program Service Funds                    | 4,663,448            | 4,585,894            |
| Total  | <u>16,615,940</u>    | <u>15,919,319</u>    |
| Subject to Restriction in Perpetuity:            |                      |                      |
| Perpetual Trust - Jessie Kenan Wise Foundation   | 4,198,710            | 4,198,710            |
| Total Net Assets With Donor Restrictions         | <u>\$ 30,366,146</u> | <u>\$ 27,986,335</u> |

**NOTE 14 NET ASSETS RELEASED FROM RESTRICTIONS**

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

|                       | <u>2019</u>         | <u>2018</u>         |
|-----------------------|---------------------|---------------------|
| Education and General | \$ 1,888,152        | \$ 988,125          |
| Scholarships          | 844,403             | 618,444             |
| Capital and Plant     | 1,374,398           | 1,280,618           |
| Other Transactions    | -                   | 314,871             |
| Total                 | <u>\$ 4,106,953</u> | <u>\$ 3,202,058</u> |

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 15 RELATED PARTIES**

**Former President Dr. William T. Abare, Jr.**

The College entered into an agreement with Dr. William T. Abare, Jr., Former President of the College (the Former President), to finance the President's home. This agreement provides a long-term loan of \$381,650 to be paid back over 15 years at an interest rate of 2.7%. This loan was paid off during fiscal year 2019.

**Current President Dr. Joseph Joyner**

The College entered into an agreement with Dr. Joseph Joyner, Current President of the College, on April 1, 2018, to finance the President's home. Dr. Joyner was provided a long-term loan of \$600,000. This loan will be paid in bi-monthly payments of \$2,025 over 15 years at an interest rate of 2.7%.

The balance of the combined loans was \$561,861 and \$625,364, respectively, at June 30, 2019 and 2018.

Future annual minimum loan payments to the College related to the Presidential notes above, are as follows for the years ended June 30:

| <u>Year Ending June 30.</u> | <u>Amount</u>     |
|-----------------------------|-------------------|
| 2020                        | \$ 37,731         |
| 2021                        | 34,913            |
| 2022                        | 35,868            |
| 2023                        | 36,848            |
| 2024                        | 37,856            |
| Thereafter                  | 378,645           |
| Total                       | <u>\$ 561,861</u> |

**Other Related Party Transactions**

During the years ended June 30, 2019 and 2018, the College paid \$1,041,409 and \$891,391, respectively, to a company providing HVAC and plumbing services, for which a former trustee and substantial contributor is the chief executive officer. As of June 30, 2019 and 2018, the College owed the company \$23,456 and \$57,923, respectively, for services provided. The College also pays monthly rental payments to the estate of a prior trustee for office space as part of an operating lease agreement. Total payments to the trustee in fiscal year 2019 were \$134,880 and \$127,920 in fiscal year 2018. The College did not owe a balance to the former trustee at June 30, 2019 and 2018.

The College holds a portion of its long-term investments with a firm whose president is a current trustee. As of June 30, 2019 and 2018, the total market value of these investments totaled \$16.8M and \$16.3M, respectively. The trustee was paid investment manager fees totaling \$102,759 and \$90,195 during the years ending June 30, 2019 and 2018, respectively.

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 16 RETIREMENT PLAN**

The College participates in a retirement plan through TIAA-CREF. All College employees are eligible to participate. The plan is not administered by the College, except for monthly reports and payment of contributions. Employees pay 5% of their salary, and the College matches their contribution with between 5% and 10% of the employees' salary based on length of employment. Contributions are paid each pay period. For the years ended June 30, 2019 and 2018, the contributions to this plan made by the College were \$1,200,625 and \$1,191,194, respectively.

**NOTE 17 COMMITMENTS AND CONTINGENCIES**

**Compliance Audits**

State and federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any material liabilities that may arise from such audits.

**Contingencies**

The College is involved in various legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management believes that the resolution of these pending matters will not have a materially adverse effect on the College's consolidated financial statements.

**NOTE 18 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. These expenses include plant, utilities, and maintenance, interest on indebtedness, and depreciation and amortization. The College applies various methods to allocate costs among the program and support functions, the most significant of which is by the relative depreciation of the building and its functions. Interest expense is allocated to the functional categories that have benefitted from the associated debt.

Functional expenses by natural classification as of June 30, 2019:

|                                   | Program Activities            |                      | Supporting Activities  |                     | Total Expense        |
|-----------------------------------|-------------------------------|----------------------|------------------------|---------------------|----------------------|
|                                   | Academic and Student Programs | Auxiliaries          | Administrative Support | Fundraising         |                      |
| Salaries, Wages, and Benefits     | \$ 22,819,888                 | \$ 905,674           | \$ 7,111,304           | \$ 801,873          | \$ 31,638,739        |
| Services, Supplies, and Other     | 6,449,210                     | 3,910,397            | 3,994,227              | 232,092             | 14,585,926           |
| Plant, Utilities, and Maintenance | 2,537,664                     | 3,606,152            | 806,200                | -                   | 6,950,016            |
| Interest                          | 369,079                       | 1,057,375            | 11,789                 | -                   | 1,438,243            |
| Depreciation and Amortization     | 3,048,226                     | 3,800,446            | 644,907                | -                   | 7,493,579            |
|                                   | <u>\$ 35,224,067</u>          | <u>\$ 13,280,044</u> | <u>\$ 12,568,427</u>   | <u>\$ 1,033,965</u> | <u>\$ 62,106,503</u> |

**FLAGLER COLLEGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 18 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)**

Functional expenses by natural classification as of June 30, 2018:

|                                   | Program Activities            |                      | Supporting Activities  |                   | Total Expense        |
|-----------------------------------|-------------------------------|----------------------|------------------------|-------------------|----------------------|
|                                   | Academic and Student Programs | Auxiliaries          | Administrative Support | Fundraising       |                      |
| Salaries, Wages, and Benefits     | \$ 21,818,801                 | \$ 788,481           | \$ 7,383,959           | \$ 701,376        | \$ 30,692,617        |
| Services, Supplies, and Other     | 6,743,003                     | 3,933,516            | 3,938,325              | 235,227           | 14,850,071           |
| Plant, Utilities, and Maintenance | 3,520,192                     | 3,839,735            | 901,000                | -                 | 8,260,927            |
| Interest                          | 320,789                       | 1,002,227            | 26,675                 | -                 | 1,349,691            |
| Depreciation and Amortization     | 3,476,914                     | 3,730,779            | 685,582                | -                 | 7,893,275            |
|                                   | <u>\$ 35,879,699</u>          | <u>\$ 13,294,738</u> | <u>\$ 12,935,541</u>   | <u>\$ 936,603</u> | <u>\$ 63,046,581</u> |

**NOTE 19 DEPARTMENT OF EDUCATION COMPOSITE SCORE**

To participate in the Federal Student Aid programs, a school must demonstrate that it is financially responsible. To demonstrate financial responsibility, the Department of Education requires that institutions have a composite score of 1.5 or higher. Below is the composite score calculation for the College at June 30, 2019:

|   |                       |       |
|---|-----------------------|-------|
| Primary Reserve Ratio                           |                       |       |
| Expendable Net Assets                           | \$ 91,869,964         | 1.479 |
| Total Expenses                                  | <u>\$ 62,106,503</u>  |       |
| Equity Ratio                                    |                       |       |
| Modified Net Assets (Total Net Assets)          | \$ 198,906,016        | 0.790 |
| Modified Assets (Total Assets)                  | <u>\$ 251,773,804</u> |       |
| Net Income Ratio                                |                       |       |
| Change in Net Assets Without Donor Restrictions | \$ 1,305,883          | 0.021 |
| Total Revenues Without Donor Restrictions       | <u>\$ 63,412,386</u>  |       |
| Primary Reserve Strength Factor Score           |                       | 3.000 |
| Equity Strength Factor Score                    |                       | 3.000 |
| Net Income Strength Factor Score                |                       | 2.030 |
| Primary Reserve Weighted Score                  |                       | 1.200 |
| Equity Weighted Score                           |                       | 1.200 |
| Net Income Weighted Score                       |                       | 0.406 |
| COMPOSITE SCORE                                 |                       | 2.80  |



**FLAGLER COLLEGE, INC.**  
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**NOTE 20 LIQUIDITY AND AVAILABILITY OF RESOURCES**

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for fiscal years 2018 and 2019.

As of June 30, 2018 and 2019, the following tables show the total financial assets held by the College and the amounts of those financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

| Financial Assets Available to Meet General Expenditures |                      |                      |
|---|----------------------|----------------------|
| Over the Next 12 Months:                                |                      |                      |
|   | <u>2019</u>          | <u>2018</u>          |
| Total Assets per Consolidated Statement of Position     | \$ 251,773,804       | \$ 249,368,368       |
| Less:   |                      |                      |
| Endowment Funds – Including Perpetual Trusts,           |                      |                      |
| Less Appropriation for Following Year                   | 56,897,369           | 55,610,831           |
| Real Estate Investment                                  | 10,403,400           | 10,403,400           |
| Land, Buildings, and Equipment                          | 121,985,545          | 125,827,947          |
| Inventories   | 303,729              | 184,507              |
| Loans, advances, and other assets                       | 2,418,792            | 2,242,226            |
| Total Financial Assets Available Within One Year        | <u>\$ 59,764,969</u> | <u>\$ 55,099,457</u> |

Included in the available financial assets are \$35,441,875 and \$34,459,250 in designated operating reserve funds at June 30, 2019 and 2018, respectively. These funds are invested in equities, fixed income, and money market funds and may be utilized at the discretion of the board in support of current operations or long-term projects. Endowment funds consist of donor-restricted endowments and fund designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditures. Board-designated endowment of \$34,254,808 and \$33,898,756 at June 30, 2019 and 2018, respectively, are subject to the College's spending policy as described in Note 4. The College does not intend to spend from the board-designated endowment other than amounts appropriated for general expenditures in accordance with the spending policy, and has deducted the funds from available financial assets. These funds could be made available if necessary.