

FLAGLER COLLEGE, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



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**FLAGLER COLLEGE, INC.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Flagler College, Inc., which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of the Flagler College Endowment Fund and the Jessie Kenan Wise Foundation were not audited in accordance with *Government Auditing Standards*.

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.

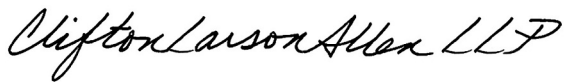
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020, on our consideration of Flagler College, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Flagler College, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Flagler College, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Orlando, Florida
November 11, 2020

FLAGLER COLLEGE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 12,912,919	\$ 14,519,623
Investments	94,062,101	96,339,065
Accounts receivable, net of allowance \$382,432 and \$988,097 in 2020 and 2019, respectively	1,852,538	667,016
Promises to give, net of discount and allowance	873,370	-
Inventories	171,797	303,729
Prepaid expenses and other assets	950,097	606,926
Loans to students, net of allowance \$79,800 in 2020 and 2019	173,329	214,953
Other loans and advances	675,497	1,119,525
Real estate investment	10,403,400	10,403,400
Beneficial interest in perpetual trust	5,484,027	5,614,022
Land, buildings, and equipment, net	120,228,389	121,985,545
Total assets	\$ 247,787,464	\$ 251,773,804
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 4,100,371	\$ 6,022,385
Student deposits and prepayments	1,709,186	1,053,086
Deferred revenue	760,600	1,054,437
Amounts held on behalf of others	77,432	49,053
U.S. government loan funds refundable	353,893	435,149
Premium on bonds payable	3,595,806	3,968,441
Long-term debt, net of bond issuance costs of \$356,133 and \$379,763 in 2020 and 2019, respectively	40,086,867	40,285,237
Total liabilities	50,684,155	52,867,788
Net assets		
Without donor restrictions	168,757,808	168,539,870
With donor restrictions	28,345,501	30,366,146
Total net assets	197,103,309	198,906,016
Total liabilities and net assets	\$ 247,787,464	\$ 251,773,804

See accompanying Notes to Consolidated Financial Statements.

FLAGLER COLLEGE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
OPERATING REVENUES AND SUPPORT				
Tuition and fees	\$ 50,522,170	\$ -	\$ 50,522,170	\$ 50,341,975
Less: institutional aid	(12,024,993)	-	(12,024,993)	(10,982,118)
Net tuition and fees	<u>38,497,177</u>	<u>-</u>	<u>38,497,177</u>	<u>39,359,857</u>
Government grants and contracts	3,407,659	90,103	3,497,762	1,217,607
Private gifts and grants	405,942	1,300,308	1,706,250	2,011,331
Investment return supporting operations	3,264,533	-	3,264,533	2,868,770
Sales and services of auxiliary enterprises	12,721,892	-	12,721,892	13,816,833
Other sources	138,308	-	138,308	399,209
Net assets released from restrictions	5,615,869	(5,615,869)	-	-
Total operating revenues and support	<u>64,051,380</u>	<u>(4,225,458)</u>	<u>59,825,922</u>	<u>59,673,607</u>
OPERATING EXPENSES				
Salaries, wages and benefits	32,739,770	-	32,739,770	31,638,739
Services, supplies, and other	14,578,044	-	14,578,044	14,585,926
CARES Act student funding	1,354,397	-	1,354,397	-
Plant, utilities, and maintenance	6,119,856	-	6,119,856	6,950,016
Interest	1,426,007	-	1,426,007	1,438,243
Depreciation and amortization	6,964,851	-	6,964,851	7,493,579
Total operating expenses	<u>63,182,925</u>	<u>-</u>	<u>63,182,925</u>	<u>62,106,503</u>
CHANGES IN OPERATING NET ASSETS	868,455	(4,225,458)	(3,357,003)	(2,432,896)
NONOPERATING ACTIVITY				
Private gifts and grants	-	1,804,722	1,804,722	3,783,207
Net investment return	2,614,016	400,091	3,014,107	5,204,153
Less: investment distribution to operations	(3,264,533)	-	(3,264,533)	(2,868,770)
Total nonoperating activity	<u>(650,517)</u>	<u>2,204,813</u>	<u>1,554,296</u>	<u>6,118,590</u>
CHANGES IN NET ASSETS	217,938	(2,020,645)	(1,802,707)	3,685,694
Net assets - beginning of year	<u>168,539,870</u>	<u>30,366,146</u>	<u>198,906,016</u>	<u>195,220,322</u>
NET ASSETS - END OF YEAR	<u>\$ 168,757,808</u>	<u>\$ 28,345,501</u>	<u>\$ 197,103,309</u>	<u>\$ 198,906,016</u>

See accompanying Notes to Consolidated Financial Statements.

FLAGLER COLLEGE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT			
Tuition and fees	\$ 50,341,975	\$ -	\$ 50,341,975
Less: institutional aid	(10,982,118)	-	(10,982,118)
Net tuition and fees	39,359,857	-	39,359,857
Government grants and contracts	751,452	466,155	1,217,607
Private gifts and grants	786,579	1,224,752	2,011,331
Investment return supporting operations	2,868,770	-	2,868,770
Sales and services of auxiliary enterprises	13,816,833	-	13,816,833
Other sources	399,209	-	399,209
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
OPERATING EXPENSES			
Salaries, wages, and benefits	31,638,739	-	31,638,739
Services, supplies, and other	14,585,926	-	14,585,926
Plant, utilities, and maintenance	6,950,016	-	6,950,016
Interest	1,438,243	-	1,438,243
Depreciation and amortization	7,493,579	-	7,493,579
Total operating expenses	62,106,503	-	62,106,503
CHANGES IN OPERATING NET ASSETS	(16,850)	(2,416,046)	(2,432,896)
NONOPERATING ACTIVITY			
Private gifts and grants	249,998	3,533,209	3,783,207
Loss on extinguishment of bonds	-	-	-
Net investment return	3,941,505	1,262,648	5,204,153
Less: investment distribution to operations	(2,868,770)	-	(2,868,770)
Total nonoperating activity	1,322,733	4,795,857	6,118,590
CHANGES IN NET ASSETS	1,305,883	2,379,811	3,685,694
Net assets - beginning of year	167,233,987	27,986,335	195,220,322
NET ASSETS - END OF YEAR	<u>\$ 168,539,870</u>	<u>\$ 30,366,146</u>	<u>\$ 198,906,016</u>

See accompanying Notes to Consolidated Financial Statements.

FLAGLER COLLEGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,802,707)	\$ 3,685,694
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Contributions restricted for LT investment and plant	(2,864,836)	(3,533,209)
Contributions of property	-	(300,973)
Depreciation	6,964,851	7,493,579
Amortization of bond premium and issuance costs	(349,005)	(399,837)
Bad debt provision	476,497	28,705
Income and net realized gains from long-term investments	(2,628,203)	(3,531,118)
Net unrealized gains from long-term investments	763,817	(1,607,590)
Loss on disposal of PPE	75,493	36,732
Change in investment of perpetual trust	129,996	(41,790)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Student accounts receivable	(388,799)	7,410
Notes and other receivables	(870,354)	1,050,091
Prepaid expenses	(343,170)	(314,826)
Other assets	131,931	(119,222)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(1,922,023)	72,039
Student deposits and prepayments	656,100	49,091
Deferred revenues and other liabilities	(265,460)	301,410
Net cash provided (used) by operating activities	(2,235,872)	2,876,186
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	63,181,136	44,451,290
Purchase of investments	(59,039,294)	(47,561,388)
Purchases of land, buildings, and equipment	(5,338,400)	(3,399,310)
Proceeds from sale of land	54,725	12,373
Repayments from loans for student and faculty	41,624	28,538
Repayments of other loans	41,167	65,003
Net cash used by investing activities	(1,059,042)	(6,403,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	1,258,000	-
Funds paid on long-term debt and related	(1,480,000)	(1,410,000)
Contributions received designated for long-term investment and plant	1,991,466	3,533,209
Increase (decrease) in refundable government loan funds	(81,256)	107,043
Net cash provided by financing activities	1,688,210	2,230,252
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,606,704)	(1,297,056)
Cash and cash equivalents - beginning of year	14,519,623	15,816,679
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,912,919	\$ 14,519,623
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 1,782,219	\$ 1,846,394

See accompanying Notes to Consolidated Financial Statements.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 2,800 students, with about 60% from Florida and the remaining students representing 44 states and 54 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, 2020 AND 2019

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 within net investment income in the consolidated statements of activities. Net 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. 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. Depreciation is recorded on a straight-line basis. The estimated useful life of land improvements, buildings and building improvements is 3 to 40 years. The estimated useful life of furniture and equipment and library collections is 3 to 10 years. When any land, buildings, or equipment is removed from the records, any gain or loss is recognized at the time of the disposal.

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 12 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, 2020 AND 2019

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 \$12,024,993 in 2020, and \$10,982,118 in 2019. 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, 2020, 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. Deferred revenues in the accompanying consolidated statements of financial position consist of cash payments received by the College that have not been recognized in the accompanying consolidated statements of activities because the conditions on which they depend have not yet been met. Contributions of assets other than cash are recorded at their estimated fair value.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$1,170,980 and \$1,033,965 related to development and fundraising for the years ended June 30, 2020 and 2019, 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, 2020 AND 2019

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 Summer Tuition and Fees	Tallahassee Summer Tuition and Fees	Advance Deposits for upcoming Academic Year	Total
Balance at June 30, 2018	\$ 658,525	\$ 92,809	\$ 512,113	\$ 1,263,447
Revenue recognized, deposits applied/forfeited	(658,525)	(92,809)	(512,113)	(1,263,447)
Payments received for future performance obligations	-	132,839	531,980	664,819
Balance at June 30, 2019	-	132,839	531,980	664,819
Revenue recognized, deposits applied/forfeited	-	(132,839)	(531,980)	(664,819)
Payments received for future Performance obligations	-	100,636	494,398	595,034
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 100,636</u>	<u>\$ 494,398</u>	<u>\$ 595,034</u>

The balance of deferred revenue at June 30, 2020 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 November 11, 2020, which is the date the consolidated financial statements were available to be issued.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

Change in Accounting Principle

Adoption of New Standard

The College has adopted (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU was issued to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP that is most important to users of each entity's financial statements related to the fair value disclosures. The ASU has been applied retrospectively to all periods presented and did not require any net asset reclassifications.

NOTE 3 INVESTMENTS

Investments in the consolidated statements of financial position at June 30, 2020 and 2019, consist of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
OPERATING INVESTMENTS				
Marketable common stock	\$ -	\$ -	\$ 3,069	\$ 3,069
Equity mutual funds	19,318,180	23,370,559	19,042,732	23,354,602
Fixed income mutual funds	12,590,888	12,736,129	13,229,134	13,384,671
Other investments	634,339	634,339	655,064	655,064
Total operating investments	<u>32,543,407</u>	<u>36,741,027</u>	<u>32,929,999</u>	<u>37,397,406</u>
ENDOWMENTS				
Money market and other	4,999,480	4,999,480	6,339,789	6,339,789
Equity and private				
capital funds	2,780,316	3,025,797	2,508,962	3,076,543
Marketable common stock	26,380,041	27,595,528	24,758,111	25,958,454
Marketable fixed income				
securities	14,574,873	15,572,839	15,121,541	15,446,356
Real estate and				
infrastructure assets	1,411,642	1,208,992	2,493,075	2,864,057
Hedge funds	4,875,223	4,918,438	5,119,828	5,256,460
Total endowments	<u>55,021,575</u>	<u>57,321,074</u>	<u>56,341,306</u>	<u>58,941,659</u>
Total investments	<u>\$ 87,564,982</u>	<u>\$ 94,062,101</u>	<u>\$ 89,271,305</u>	<u>\$ 96,339,065</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 INVESTMENTS (CONTINUED)

Investment Income included in Net Investment Return on the accompanying consolidated statement of activities for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 2,609,823	\$ 2,795,588
Net realized gains	345,692	1,075,226
Net unrealized gains	(763,817)	1,607,590
Investment expenses	(348,037)	(339,696)
Total investment return	<u>\$ 1,843,661</u>	<u>\$ 5,138,708</u>

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:

	<u>June 30, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 44,508,525	\$ -	\$ 44,508,525
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,974,013	21,974,013
Accumulated investment gains	-	4,047,113	4,047,113
Total endowment funds	<u>\$ 44,508,525</u>	<u>\$ 26,021,126</u>	<u>\$ 70,529,651</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 ENDOWMENTS (CONTINUED)

	June 30, 2019		
	Without Donor Restrictions	With Donor 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
Total endowment funds	<u>\$ 44,895,660</u>	<u>\$ 25,335,744</u>	<u>\$ 70,231,404</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2018	\$ 44,408,780	\$ 24,803,810	\$ 69,212,590
Investment income	1,069,871	738,403	1,808,274
Net appreciation (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 June 30, 2019	44,895,660	25,335,744	70,231,404
Investment income	2,005,705	618,956	2,624,661
Net depreciation (realized and unrealized)	(617,390)	(218,976)	(836,366)
Contributions	-	1,038,318	1,038,318
Distributed earnings	(1,672,064)	(953,420)	(2,625,484)
Other adjustments	(123,386)	79,458	(43,928)
Transfers to fund endowment	20,000	121,046	141,046
Endowment net assets June 30, 2020	<u>\$ 44,508,525</u>	<u>\$ 26,021,126</u>	<u>\$ 70,529,651</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 ENDOWMENTS (CONTINUED)

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;
- 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.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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.

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 9).

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration, underwater endowments. There were no accumulated losses at June 30, 2020 and 2019.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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.

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.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 ENDOWMENTS (CONTINUED)

Spending Policy (Continued)

The spending policy for the Jessie Kenan Wise Foundation is stipulated by the trust agreement, which was amended in a prior year (see Note 9).

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.

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.

There were no changes to financial instruments measured at fair value using Level 3 inputs for the years ended June 30, 2020 and 2019.

The College's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, Level 2, or Level 3 during the years ended June 30, 2020 and 2019.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

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, 2020, remaining uncalled commitments approximated \$762,990.
- Other investments: Annuity contracts value based on management estimates and/or discounted cash flow methodologies. There are no unfunded commitments at June 30, 2020.
- 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, 2020.
- Money market funds: At June 30, 2020 and 2019, money market funds of \$799,563 and \$1,174,037, respectively, are included in investments and are recorded at cost.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020					Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	Measured at NAV	Total		
Marketable common stock	\$ 27,595,528	\$ -	\$ -	\$ -	\$ 27,595,528	Daily	1
Marketable fixed income securities	15,572,839	-	-	-	15,572,839	Daily	1
Other investments	-	-	634,339	-	634,339	Illiquid	N/A
Equity mutual funds	23,370,559	-	-	-	23,370,559	Daily	1
Fixed income mutual funds	12,736,129	-	-	-	12,736,129	Daily	1
Real estate and infrastructure assets	1,208,992	-	-	-	1,208,992	Daily	1
Hedge funds	-	-	-	4,918,438	4,918,438	Various	30-90
Equity and private capital funds	-	-	-	3,025,797	3,025,797	Illiquid	N/A
Investments	80,484,047	-	634,339	7,944,235	89,062,621		
Beneficial interest in Perpetual trust	4,987,352	-	-	496,675	5,484,027	Daily & Illiquid	1 & N/A
	<u>\$ 85,471,399</u>	<u>\$ -</u>	<u>\$ 634,339</u>	<u>\$ 8,440,910</u>	<u>\$ 94,546,648</u>		

	June 30, 2019					Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	Measured 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 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>		

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, 2020 and 2019:

	2020	2019
Beginning balance	\$ 655,064	\$ 700,061
Amortization of annuity contract	(20,725)	(44,997)
Ending balance	<u>\$ 634,339</u>	<u>\$ 655,064</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 PROMISES TO GIVE

Unconditional promises to give are expected to be collected as follows at June 30:

	2020	2019
Less than one year	\$ 284,473	\$ 16,452
One to five years	713,000	-
	997,473	16,452
Unamortized discount (0.33% - 1.79%)	(41,130)	-
Allowance for doubtful pledges	(82,973)	(16,452)
Total	\$ 873,370	\$ -

The allowance for uncollectible contributions is based upon management's judgment and analysis of contributions receivable, past collection experience, and other relevant factors that bear on the ultimate collectability of outstanding amounts. Contribution receivables are initially recorded net with the allowance estimate directly reducing contribution revenue in the accompanying consolidated statement of activities. If a contribution receivable's allowance is reevaluated in a subsequent year, that adjustment will be recorded in other gains and losses in the accompanying consolidated statements of activities.

Written promises to give from members of the Board of Trustees totaled \$850,000 during the year ended June 30, 2020. The balance of these promises to give was \$825,000 at year-end. There was no such balance at June 30, 2019.

NOTE 7 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, 2020 and 2019, 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. This closing date passed with no new agreement in place, therefore the nonrefundable deposit of \$1,020,250 is recognized in Net investment return on the consolidated statement of activities during the year ended June 30, 2020.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 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, 2020 and 2019, student loans represented less than 1% of total assets.

At June 30, 2020 and 2019, student loans consisted of the following:

	2020	2019
Federal government programs	\$ 251,342	\$ 292,966
Institutional programs	1,787	1,787
	<u>253,129</u>	<u>294,753</u>
Less: allowance for doubtful accounts:		
Beginning of year	(79,800)	(79,800)
Increases	-	-
Write offs	-	-
End of year	<u>(79,800)</u>	<u>(79,800)</u>
Loan to students, net	<u>\$ 173,329</u>	<u>\$ 214,953</u>

Funds advanced by the federal government of \$353,893 and \$435,149 at June 30, 2020 and 2019, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position.

At June 30, 2020 and 2019, the following amounts were past due under student loan programs:

June 30,	1-60 Days Past Due	60-90 Days Past Due	90+ Days Past Due	Total Past Due
2020	\$ 193	\$ 33	\$ 138,628	\$ 138,854
2019	\$ 254	\$ 60	\$ 122,887	\$ 123,201

NOTE 9 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.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 BENEFICIAL INTEREST IN PERPETUAL TRUST (CONTINUED)

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, 2020 and 2019, were as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Equity assets	\$ 2,736,942	\$ 2,863,891	\$ 2,666,500	\$ 2,856,617
Fixed income assets	1,851,948	1,971,365	1,811,697	1,848,747
Real estate and infrastructure assets	160,533	137,440	274,139	281,324
Equity and private capital funds	449,943	488,480	405,046	496,675
Money market	22,851	22,851	130,662	130,659
Total	\$ 5,222,217	\$ 5,484,027	\$ 5,288,044	\$ 5,614,022

NOTE 10 LAND, BUILDINGS, AND EQUIPMENT, NET

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

	2020	2019
Land	\$ 13,855,286	\$ 12,475,917
Buildings and improvements	175,705,399	172,711,883
Furnishings and equipment	21,662,495	25,280,966
Library books	4,586,202	4,621,646
Art collection	646,677	646,677
	216,456,059	215,737,089
Less: accumulated depreciation	(96,897,802)	(95,777,979)
	119,558,257	119,959,110
Construction in progress	670,132	2,026,435
Total	\$ 120,228,389	\$ 121,985,545

Idle land and buildings (those not currently in use by the College) included above totaled \$468,688 at June 30, 2020 and 2019.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 CONSTRUCTION IN PROGRESS

At June 30, 2020 and 2019, construction in progress consisted of the following projects:

	2020	2019
Lacrosse field (surplus funds)	\$ 61,888	\$ 59,268
Ashlar Lodge rental space	319,454	89,770
Molly Wiley Art Building	-	473
Ponce kitchen reno	-	7,483
Ponce dining repairs	-	1,864,461
Kenan 3rd floor	-	4,980
STEM facility	25,639	-
Student bistro upgrades	263,151	-
Total	\$ 670,132	\$ 2,026,435

The College has entered into various contracts for construction of new academic buildings and other infrastructure improvements. As of June 30, 2020 and 2019, the remaining commitment on these contracts totaled \$2,124,080 and \$1,203,781, respectively. The projects are being financed with contributions and institutional funds.

NOTE 12 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.

NOTE 13 LONG-TERM DEBT

Term Loan

On May 29, 2020, the College entered into a loan agreement in the amount of \$1,258,000 with JPMorgan Chase Bank for the purpose of purchasing 170 Malaga Street, St. Augustine, FL. The loan has a 10-year term and carries a fixed interest rate of 1.75% annum. Payments of \$125,800 are due annually beginning in November 2021.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 LONG TERM DEBT (CONTINUED)

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, 2020 and 2019, the outstanding balance on the Series 2017 bonds was \$14,680,000 and \$15,415,000, 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 \$24,505,000 and \$25,250,000, respectively, as of June 30, 2020 and 2019.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 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>Bonds</u>	<u>Term Debt</u>	<u>Total</u>
2021	\$ 1,550,000	\$ 125,800	\$ 1,675,800
2022	1,630,000	125,800	1,755,800
2023	1,700,000	125,800	1,825,800
2024	1,785,000	125,800	1,910,800
2025	1,870,000	125,800	1,995,800
Thereafter	<u>30,650,000</u>	<u>629,000</u>	<u>31,279,000</u>
Total	39,185,000	1,258,000	40,443,000
Less: unamortized bond issuance costs	<u>(356,133)</u>	-	<u>(356,133)</u>
	<u><u>38,828,867</u></u>	<u><u>1,258,000</u></u>	<u><u>40,086,867</u></u>

Interest expense was \$1,772,062 and \$1,836,998 for the years ended June 30, 2020 and 2019, respectively.

NOTE 14 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>2020</u>	<u>2019</u>
Designated for endowment purposes	\$ 44,508,525	\$ 44,895,660
Designated for plant expansion	-	58,373
Designated for college programs	<u>261,680</u>	<u>216,898</u>
Designated net assets without donor restrictions	44,770,205	45,170,931
Investment in plant	79,864,487	82,283,695
Undesignated net assets	<u>44,123,116</u>	<u>41,085,244</u>
Total	<u><u>\$ 168,757,808</u></u>	<u><u>\$ 168,539,870</u></u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 14 RESTRICTION AND LIMITATIONS ON NET ASSETS (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
With donor restrictions - program restricted subject to expenditure for specified purpose not invested in perpetuity:		
Student scholarships	\$ 755,824	\$ 589,613
Education, student services and general support	919,641	1,810,115
Capital projects	648,910	2,630,674
Total	<u>2,324,375</u>	<u>5,030,402</u>
With donor restrictions - endowment subject to the College's spending policy and appropriation, not invested in perpetuity:		
Student scholarship funds	1,476,640	1,735,241
Endowed program service funds	2,570,473	2,785,853
Total	<u>4,047,113</u>	<u>4,521,094</u>
Invested in perpetuity:		
Student scholarship funds	13,068,599	11,952,492
Endowed program service funds	4,706,704	4,663,448
Total	<u>17,775,303</u>	<u>16,615,940</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>\$ 28,345,501</u>	<u>\$ 30,366,146</u>

NOTE 15 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>2020</u>	<u>2019</u>
Education and general	\$ 1,417,124	\$ 1,888,152
Scholarships	588,035	844,403
Capital and plant	3,610,710	1,374,398
Total	<u>\$ 5,615,869</u>	<u>\$ 4,106,953</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 16 RELATED PARTIES

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 \$522,694 and \$561,861, respectively, at June 30, 2020 and 2019.

Subsequent to the year end, the College purchased the President's home from the Current President for approximately \$1,050,000. As part of the transaction, the remaining amount owed on the term loan was applied toward the purchase price thus fully satisfied and paid off.

Other Related Party Transactions

During the years ended June 30, 2020 and 2019, the College paid \$526,927 and \$1,041,409, 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, the College owed the company \$23,456 for services provided. There was no outstanding balance at June 30, 2020.

The College also paid monthly rent to the estate of a prior trustee for office space as part of an operating lease agreement. The beneficiaries of this estate include two current trustees. Rental payments to the estate totaled \$123,640 in year ending June 30, 2020 and \$134,880 during year ending June 30, 2019. On May 29, 2020, the College purchased the building from the estate for \$1,482,293.

The College holds a portion of its long-term investments with a firm whose president is a current trustee. As of June 30, 2020 and 2019, the total market value of these investments totaled \$15.7M and \$16.8M, respectively. The trustee was paid investment manager fees totaling \$108,182 at June 30, 2020 and \$102,759 at June 30, 2019.

The College is self-insured and engages The Bailey Group as benefits administrator. The President of The Bailey Group is a current trustee of the College. Commissions and fees paid during the years 2020 and 2019 to The Bailey Group totaled \$221,992 and \$220,795, respectively.

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 17 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, 2020 and 2019, the contributions to this plan made by the College were \$1,223,338 and \$1,200,652, respectively.

NOTE 18 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 19 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, 2020:

	Program Activities		Supporting Activities		Total Expense
	Academic and	Auxiliaries	Administrative	Fundraising	
	Student Programs		Support		
Salaries, wages, and benefits	\$ 23,556,737	\$ 923,664	\$ 7,308,874	\$ 950,495	\$ 32,739,770
Services, supplies, and other	7,052,454	3,745,334	3,559,771	220,485	14,578,044
Plant, utilities, and maintenance	2,145,991	3,323,946	649,919	-	6,119,856
CARES Act student funding	1,354,397	-	-	-	1,354,397
Interest	378,764	1,031,068	16,175	-	1,426,007
Depreciation and amortization	2,727,966	3,720,561	516,324	-	6,964,851
	<u>\$ 37,216,309</u>	<u>\$ 12,744,573</u>	<u>\$ 12,051,063</u>	<u>\$ 1,170,980</u>	<u>\$ 63,182,925</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 19 DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

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

	Program Activities		Supporting Activities		Total Expense
	Academic and		Administrative		
	Student Programs	Auxiliaries	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>

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 years ending June 30, 2020 and 2019.

As of June 30, 2019 and 2020, 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:	2020	2019
Total assets per consolidated statement of position	\$ 247,787,464	\$ 251,773,804
Less:		
Endowment funds – including perpetual trusts,		
Less appropriation for following year	55,658,783	56,897,369
Real estate investment	10,403,400	10,403,400
Land, buildings, and equipment	120,228,389	121,985,545
Inventories	171,797	303,729
Loans, contributions receivable and other assets not available within one year	1,991,798	2,370,185
Total financial assets available within one year	<u>\$ 59,333,297</u>	<u>\$ 59,813,576</u>

FLAGLER COLLEGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 20 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Included in the available financial assets are \$33,701,713 and \$35,441,875 in designated operating reserve funds at June 30, 2020 and 2019, 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 investments of \$34,186,650 and \$34,254,808 at June 30, 2020 and 2019, 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.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial statements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Flagler College, Inc. (the College), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 11, 2020.

Internal Control Over Financial Reporting

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

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

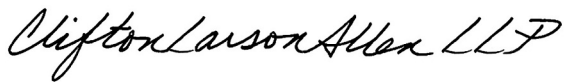
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Orlando, Florida
November 11, 2020