

FLORIDA 4-H CLUB FOUNDATION, INC.

FINANCIAL STATEMENTS

MARCH 31, 2018

FLORIDA 4-H CLUB FOUNDATION, INC.
TABLE OF CONTENTS
MARCH 31, 2018

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 5
Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7 – 8
Statement of Cash Flows	9
Notes to Financial Statements	10 – 15
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16 – 17

INDEPENDENT AUDITORS' REPORT

To the Audit and Finance Committee,
Florida 4-H Club Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida 4-H Club Foundation, Inc. (the Foundation), a direct-support organization and component unit of the University of Florida, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of March 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

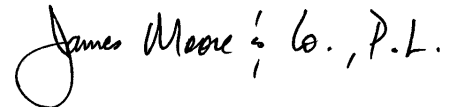
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Foundation's March 31, 2017, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2017. In our opinion, the summarized comparative information presented herein for the statements of net position and revenues, expenses and changes in net position for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Gainesville, Florida
June 26, 2018

FLORIDA 4-H CLUB FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018

The Florida 4-H Club Foundation, Inc.'s (the Foundation) discussion and analysis is designed to assist the reader in focusing on an overview of financial activities, identify changes in the financial position, identify any material deviations from the financial plan, and identify issues and concerns. Since the Management Discussion and Analysis is intended to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements attached.

Incorporated in 1963, the Foundation is a tax-exempt non-profit foundation approved under Section 501(c)(3) of the Internal Revenue Code 170(b) (1). The Foundation is governed by a Board of Directors comprised of volunteer members and appointed University administration. Designated a Direct Support Organization, the Foundation is operated according to State University System rules, pursuant to Florida Statutes § 1004.24. It maintains a separate not-for-profit status and is authorized to receive, hold, invest, and administer property and make expenditures benefiting the University of Florida's 4-H Youth Development Program. The Foundation relies on contributions from the public and serves as fiscal agent for the Florida 4-H program activities. The Foundation manages funds for three residential camps and many state-level educational programs, competitive events, and recognition functions.

The Foundation's Mission: We build upon county 4-H programs by developing and managing financial resources supporting educational and public awareness activities for Florida 4-H youth.

The Foundation's Vision: Promote the development of Florida's youth and tomorrow's citizens through the basic principles of citizenship and achievement by providing programs designed to instill a sound understanding of the balance between life value, agriculture and the environment.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements:

- The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the Foundation and present a longer-term view of the Foundation's financial position.
- The Statement of Cash Flows provides information regarding net cash from and used in 4-H programs and activities.

FINANCIAL ANALYSIS

Operating revenues were \$1,212,671 for the fiscal year ending March 31, 2018, and \$1,209,776 for the fiscal year ending March 31, 2017, generating an operating loss of (\$226,511) and (\$468,625) respectively. Net cash flows from operations were (\$289,995) and (\$401,761) respectively.

The following select information was derived from the Foundation's complete set of financial statements. It is presented to support management's analysis of the financial position and the results of operations that follow this information.

FLORIDA 4-H CLUB FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018
(Continued)

The Foundation's Net Position

	<u>2018</u>	<u>2017</u>	<u>Amount of Change</u>
Total Assets	\$ 3,318,311	\$ 3,061,700	\$ 256,611
Total Liabilities	\$ 52,630	\$ 96,347	\$ (43,717)
Net position			
Unrestricted	2,860,599	2,526,533	334,066
Restricted expendable	405,082	438,820	(33,738)
Total liabilities and net position	<u>\$ 3,318,311</u>	<u>\$ 3,061,700</u>	<u>\$ 256,611</u>

The Foundation's Operations

Operating revenue			
Contributions	\$ 167,037	\$ 95,658	\$ 53,629
Other operating income	1,045,634	1,114,118	(50,734)
Total operating revenues	<u>1,212,671</u>	<u>1,209,776</u>	<u>2,895</u>
Non-operating revenues (expenses)	<u>327,026</u>	<u>360,519</u>	<u>(33,493)</u>
Total revenues	<u>1,539,697</u>	<u>1,570,295</u>	<u>(30,598)</u>
Operating expenses			
4-H camping	679,761	857,574	(177,813)
4-H programs	633,195	638,679	(5,484)
Scholarships	8,400	13,750	(5,350)
Management and general	108,367	160,158	(51,791)
Donor stewardship/cultivation	9,460	8,240	1,220
Total operating expenses	<u>1,439,182</u>	<u>1,678,401</u>	<u>(239,219)</u>
Excess (deficiency)	<u>100,515</u>	<u>(108,106)</u>	<u>208,621</u>
Net transfers	<u>199,813</u>	<u>51,159</u>	<u>148,654</u>
Net changes	<u>300,328</u>	<u>(56,947)</u>	<u>357,275</u>
Beginning net position	<u>2,965,353</u>	<u>3,022,300</u>	<u>(56,947)</u>
Ending net position	<u>\$ 3,265,681</u>	<u>\$ 2,965,353</u>	<u>\$ 300,328</u>

FLORIDA 4-H CLUB FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2018
(Continued)

There are several areas that have changed significantly or note-worthy from 2017 to 2018. The following will explain these changes:

- Net Position - Unrestricted increased due to a reorganization in management and staff with a concentrated effort for less spending due to budgetary constraints, as well as an increase effort in attaining more Contributions.
- Operating Expenses - decreased due to a concentrated effort for less spending, specifically in 4-H Camping, Public Relations and Marine Ecology.
- Net Transfers In – increased due to endowment funds being transferred to the University of Florida Foundation in prior year.

HOW THE FOUNDATION IMPACTS THE 4-H PROGRAM

The Foundation is a Direct Support Organization to the University of Florida, with the sole purpose of supporting the statewide UF/IFAS Extension 4-H Youth Development Program through its fundraising efforts and fiscal agent responsibilities.

The directors of the Foundation serve three key roles in carrying out its mission:

1. Directors have a fiduciary responsibility to carry out the Foundation's mission and provide diligent stewardship of its assets.
2. Directors are responsible for the growth of the Foundation's assets through fundraising efforts and the development of resources to support Florida 4-H.
3. Directors are informed and positive advocates of the 4-H Foundation and the UF/IFAS Extension 4-H Youth Development Program it supports.

CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Foundation's Board of Directors, creditors, and the Board of Trustees of the University of Florida with a general overview of the Foundation's finances. If you have questions regarding this report or need additional information, please contact the Foundation's Office at (352) 846-4444.

FLORIDA 4-H CLUB FOUNDATION, INC.
STATEMENT OF NET POSITION
MARCH 31, 2018
WITH COMPARATIVE TOTALS FOR MARCH 31, 2017

	2018	2017
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 173,874	\$ 213,921
Investments	2,544,577	2,235,015
Funds held with the University of Florida	109,868	108,896
Prepaid expenses	16,167	-
Accounts receivable	49,791	49,371
Inventory	18,952	15,677
Total current assets	2,913,229	2,622,880
Noncurrent assets		
Restricted investments	405,082	438,820
Total Assets	\$ 3,318,311	\$ 3,061,700
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 51,745	\$ 93,988
Deposits	885	2,264
Unearned revenue	-	95
Total current liabilities	52,630	96,347
Net position		
Unrestricted	2,860,599	2,526,533
Restricted:		
Expendable	405,082	438,820
Total net position	3,265,681	2,965,353
Total Liabilities and Net Position	\$ 3,318,311	\$ 3,061,700

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

FLORIDA 4-H CLUB FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2018
WITH COMPARATIVE TOTALS FOR MARCH 31, 2017

	2018			2017
	Unrestricted	Restricted Expendable	Total	Total
Operating revenue				
Contributions	\$ 81,541	\$ 85,496	\$ 167,037	95,658
Registration fees	723,470	293,482	1,016,952	1,081,465
Canteen	26,782	1,900	28,682	32,653
Total operating revenue	<u>831,793</u>	<u>380,878</u>	<u>1,212,671</u>	<u>1,209,776</u>
Operating expenses				
Program expenses:				
Food and beverage	130,484	49,892	180,376	197,489
Salary and related expenses	334,037	70,767	404,804	391,321
Insurance	9,666	275	9,941	14,600
General program expenses	78,879	220,983	299,862	438,683
Canteen	16,406	382	16,788	35,800
General and administrative	18,719	21,362	40,081	26,319
Repairs and maintenance	79,284	153	79,437	142,516
Office supplies	4,566	2,910	7,476	11,902
Awards	1,828	42,681	44,509	63,443
Scholarships	2,500	5,900	8,400	13,750
Consulting/Judging	-	36,187	36,187	10,783
Travel	32,512	49,661	82,173	89,160
Donations	51,553	59,768	111,321	70,012
Miscellaneous	-	-	-	4,225
Management and general:				
Salary and related expenses	42,016	-	42,016	66,153
Insurance	160	-	160	160
Meetings and seminar expenses	16,088	-	16,088	26,242
General and administrative	22,093	-	22,093	30,262
Office supplies	1,031	-	1,031	3,573
Fundraising	8,671	-	8,671	13,486
Donor stewardship	9,460	-	9,460	8,240
Auditing and accounting	17,375	-	17,375	16,250
Repairs and maintenance	328	-	328	295
Travel	605	-	605	3,737
Total operating expenses	<u>878,261</u>	<u>560,921</u>	<u>1,439,182</u>	<u>1,678,401</u>
Operating loss	<u>(46,468)</u>	<u>(180,043)</u>	<u>(226,511)</u>	<u>(468,625)</u>

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

FLORIDA 4-H CLUB FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2018
WITH COMPARATIVE TOTALS FOR MARCH 31, 2017
(Continued)

	2018			2017
	Unrestricted	Restricted Expendable	Total	Total
Nonoperating revenue				
Investment income	\$ 286,966	\$ -	\$ 286,966	\$ 309,386
Other income	20,113	19,947	40,060	51,133
Total nonoperating revenue	<u>307,079</u>	<u>19,947</u>	<u>327,026</u>	<u>360,519</u>
Income (loss) before transfers	260,611	(160,096)	100,515	(108,106)
Transfers in	311,303	185,514	496,817	826,364
Transfers out	(376,648)	(120,169)	(496,817)	(826,364)
University of Florida Foundation transfers				
Transfers in	138,800	72,253	211,053	321,627
Transfers out	-	(11,240)	(11,240)	(270,468)
Change in net position	334,066	(33,738)	300,328	(56,947)
Net position, beginning of year	2,526,533	438,820	2,965,353	3,022,300
Net position, end of year	<u>\$ 2,860,599</u>	<u>\$ 405,082</u>	<u>\$ 3,265,681</u>	<u>\$ 2,965,353</u>

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

FLORIDA 4-H CLUB FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018
WITH COMPARATIVE TOTALS FOR MARCH 31, 2017

	2018	2017
Cash flows from operating activities		
Contributions received	\$ 167,037	\$ 95,658
Cash received from registration fees	1,015,153	1,069,776
Cash received from canteen	28,682	32,653
Payments to vendors	(1,035,545)	(1,146,911)
Payments for salaries and benefits	(465,322)	(452,937)
Net cash used in operating activities	(289,995)	(401,761)
Cash flows from investing activities		
Transfers from UFF Investments	211,053	321,627
Transfers to UFF Investments	(11,240)	(270,468)
Interest and dividend income	(13,836)	288,365
Purchase of securities	189,365	56,813
Proceeds from sale of securities	(165,359)	(43,595)
Other revenue	39,965	51,071
Net cash provided by investing activities	249,948	403,813
Net increase (decrease) in cash and cash equivalents	(40,047)	2,052
Cash and cash equivalents, beginning of year	213,921	211,869
Cash and cash equivalents, end of year	\$ 173,874	\$ 213,921
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (226,511)	\$ (468,625)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Accounts receivable	(420)	1,072
Prepaid expenses	(16,167)	25,231
Inventory	(3,275)	4,684
Accounts payable	(42,243)	48,638
Camp deposits	(1,379)	(12,761)
Net cash used in operating activities	\$ (289,995)	\$ (401,761)

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

FLORIDA 4-H CLUB FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of the Florida 4-H Club Foundation, Inc. (the Foundation), which affect the accompanying basic financial statements:

(a) **Reporting entity**—The Foundation is a direct-support organization as provided for in Section 1004.28, Florida Statutes, and is considered a component unit of the University of Florida (The University). The Foundation was incorporated in 1963 as a not-for-profit organization in the State of Florida. Its primary goal is to promote the educational objectives of the State 4-H program, which is a component of the Florida Cooperative Extension Service at the University of Florida.

(b) **Basis of accounting**—The Foundation's financial statements are prepared on the accrual basis of accounting in which transactions are recognized when they occur, regardless of related cash flows. These financial statements are entirely those of the Foundation alone and, accordingly, are not intended to present the financial position or the results of operations of the University of Florida. The Foundation was determined to be "governmental" under guidance provided by the Governmental Accounting Standards Board (GASB) Statement No. 29. The accounting policies of the Foundation conform to generally accepted accounting policies for governmental entities and follows standards established by GASB. All activities of the Foundation are accounted for in a single major enterprise fund, which uses the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

(c) **Fund accounting**—The accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into funds established for various purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group as follows: unrestricted, restricted expendable, and restricted nonexpendable.

Net position restricted by outside sources is so indicated and is distinguished from unrestricted funds. Externally restricted net position may only be utilized in accordance with the purposes established by the source of such funds. In contrast, the Governing Board retains full control to use unrestricted funds (including those designated for specific purposes by that Governing Board) to achieve the purposes of the Foundation.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) **Classification of revenues**—The Foundation classifies its revenues as operating or nonoperating according to the following criteria:

- (i) Operating revenues—include contributions and activities that have characteristics of exchange transactions, such as registration fees for youth development camps, animal service events and 4-H youth leadership events, canteen revenue and sponsorships.
- (ii) Nonoperating revenues—include activities that have characteristics of nonexchange transactions, such as investment income and contributions to permanent endowments.

FLORIDA 4-H CLUB FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

- (e) **Net position**—The Foundation’s net position is classified as follows:
- (i) **Unrestricted**—Unrestricted net position represents resources derived from unrestricted contributions, registration fees and canteen revenue. These resources are used for transactions relating to the general operation of the Foundation, they are not restricted by outside sources and may be used at the discretion of the Governing Board to meet current expenses for any purpose.
 - (ii) **Restricted Expendable**—Restricted expendable net position includes resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. These amounts include the unexpended amounts of the restricted contributions, subsequent income earned on restricted contributions and unexpended income earned on endowment accounts.
 - (iii) **Restricted Nonexpendable**—Restricted nonexpendable net position consists of endowments in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future expendable income.
- (f) **Donated services**—The Foundation occupies office space at the University of Florida and is assisted by employees of the University of Florida. Since there is no clearly measurable basis to value these contributed services, no value for such services is recorded in the accompanying financial statements.
- (g) **Funds held with the University of Florida**—Funds held with the University of Florida represent balances held with the University. These funds are available for immediate withdrawal.
- (h) **Accounts receivable**—Accounts receivable are recorded at cost. The direct write-off method is used for bad debts, which is not materially different from the allowance method.
- (i) **Investments and fair value measurements**—In general, investments are reported at fair value. The Foundation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.
- (j) **Inventories**—Inventories consist of food used for the camps operated by the Foundation and merchandise sold in its gift shops. Inventories are carried at cost using the first-in, first-out (FIFO) method.
- (k) **Capital assets**—All capital assets are owned by the University of Florida and recorded by the University of Florida Plant Fund. The Foundation does not include capital assets on their statement of net position and the costs of additions incurred by the Foundation are expensed as incurred.

FLORIDA 4-H CLUB FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Income taxes**—The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under the *Florida Not-for-Profit Corporation Act*. In addition, the Internal Revenue Service has determined that the Foundation is not a private foundation under Section 509(a)(1). Federal and state income taxes are paid only on unrelated trade or business net income, if any. No federal or state income taxes were paid during the year ended March 31, 2018. The Foundation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

If applicable, the Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

(m) **Revenue recognition**—Revenues from general sources are recognized as services are provided or as contract and grant funds are earned. Restricted revenues are recognized only to the extent that they are expended in accordance with donor or grantor restrictions. Any restricted revenues which have been received, but not expended, are shown as unearned revenue in the liability section of the accompanying statement of net position.

(n) **Accounting estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(o) **Prior year comparative totals**—The financial statements include certain prior year summarized comparative information in total. Such information does not contain sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended March 31, 2017 from which the summarized information was derived. from those estimates.

(p) **Pronouncements issued**—GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions in GASB 84 are effective for fiscal years beginning after December 15, 2018. Management has not currently determined what, if any, impact implementation of this pronouncement will have on the Foundation's financial statements.

(2) **Cash and Cash Equivalents:**

Cash represents cash in checking and money market accounts with original maturities of less than three months, which are held in banks that qualify as public depositories pursuant to Chapter 280, Florida Statutes. The carrying amount of all cash deposits at March 31, 2018 was \$173,874 and the related bank balance was \$206,517.

FLORIDA 4-H CLUB FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

(2) **Cash and Cash Equivalents:** (Continued)

Under Chapter 280, Florida Statutes, every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral for the depository. The State Treasurer, by rule, shall establish minimum required collateral pledging levels and shall notify each qualified public depository of its required pledging level. Each qualified public depository shall calculate the amount of its required collateral based upon certain formulas. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

(3) **Investments:**

Investments – The Foundation’s investment policy describes the types of investments that it is authorized to purchase. The goal of the Foundation’s investment program is set forth in the investment policy as approved by the Foundation’s Board of Directors and Finance Committee. The objective is to provide a steady growing income stream to support the Foundation’s mission while providing sufficient reinvestment to protect the endowment from inflation. The Foundation is authorized to invest in Money Market Funds, U.S. Intermediate Term Taxable Bonds, Non-U.S. Bonds, Total U.S. Equities Market, U.S. Large Cap Value, U.S. Small Cap Value, Non-U.S. Large Stocks - Developed Countries, Non-U.S. Small Stocks - Developed Countries, Foreign Equities - Emerging Market, Real Estate Securities, and Real Estate Investment Trusts.

<u>Investment Type</u>	<u>Fair Value</u>
Domestic Bonds	\$ 138,624
Domestic Equities	404,046
International Equities	146,637
Mutual and Exchange Traded Funds	<u>2,260,352</u>
Total	<u>\$ 2,949,659</u>
Unrestricted	2,544,577
Restricted	<u>405,082</u>
Total	<u>\$ 2,949,659</u>

Interest rate risk—Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Foundation’s investment policy does not have a formal limit on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Foundation’s exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Investment Maturity (Years)</u>	<u>Fair Value</u>
US Government & Federal Obligations	More than 10	\$ 2,447
Bonds and Notes	More than 10	40,184

FLORIDA 4-H CLUB FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

(3) **Investments:** (Continued)

Concentration of credit risk—At March 31, 2018, more than five percent of the Foundation’s investments were held in the following funds: Small Cap World Fund Class A and MFS International Value Fund Class I. Such concentrations are permitted by the Foundation’s investment policy.

Credit quality risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table below summarizes the ratings of the Foundation’s debt instruments using the S&P, a nationally recognized statistical rating organization. The Foundation’s investment policy does not have a formal limit on investment choices by credit rating. The Foundation’s exposure to credit quality risk is as follows:

<u>Investment Type</u>	<u>Quality Rating S&P</u>	<u>Fair Value</u>
Bonds and Notes	AAA	\$ 10,059
Bonds and Notes	BBB+	990
Bonds and Notes	BBB	9,725
Bonds and Notes	BBB-	10,500
Bonds and Notes	Unrated	107,350

Foreign currency risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation’s investment policy does not have a formal limit on foreign currency denominated investments. The Foundation’s exposure to foreign currency risk is as follows:

<u>Investment Type</u>	<u>Currency Type</u>	<u>Fair Value</u>
Common Stock	Various	\$ 146,637
Mutual and Exchange Traded Funds	Various	607,215

Investments – University of Florida Foundation—The total amount of endowment assets held by the University of Florida Foundation for the benefit of the Foundation that has not been included in the accompanying financial statements as of March 31, 2018, was \$5,153,340

(4) **Fair Value Measurements:**

The Foundation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation has the following recurring fair value measurements as of March 31, 2018:

- (a) *Mutual and Exchange Traded Funds* – Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission and deemed to be actively traded.
- (b) *Funds held with the University of Florida* – Funds held with the University are valued at the Foundation’s ownership of a share of an investment pool, not the underlying securities. The Foundation relies on policies developed and administered by the University for managing interest rate risk or credit risk for these investment pools.

FLORIDA 4-H CLUB FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

(4) **Fair Value Measurements:** (Continued)

The following table summarizes the assets and liabilities of the Foundation for which fair values are determined on a recurring basis as of March 31, 2018:

<u>Description</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Equity mutual funds				
Domestic equity funds	\$ 404,046	\$ -	\$ -	\$ 404,046
International equity funds	146,637	-	-	146,637
Total equity mutual funds	<u>550,683</u>	<u>-</u>	<u>-</u>	<u>550,683</u>
Domestic bond mutual funds	138,624	-	-	138,624
Mutual and exchange traded funds	2,260,352	-	-	2,260,352
Funds held with the University of Florida	-	-	109,868	109,868
Total investments and funds held with the University of Florida at fair value	<u>\$ 2,949,659</u>	<u>\$ -</u>	<u>\$ 109,868</u>	<u>\$ 3,059,527</u>

(5) **Risk Management:**

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Foundation carries commercial insurance through various commercial insurance carriers. Insurance against losses are provided for the following types of risk:

- General Liability
- Real and Personal Property Damage
- Employee Dishonesty Coverage

(6) **Related Party Transactions:**

During the year ended March 31, 2018, the Foundation received \$211,053 in endowment income from and transferred \$11,240 for investing to the University of Florida Foundation. Additionally, the Foundation has an agreement with the University of Florida whereby the University pays for certain salary and benefits for personnel that support Foundation Youth Programs. During the year ended March 31, 2018, the Foundation paid \$446,819 to the University for salary and benefits reported in the statement of revenues, expenses and changes in net position. The University paid \$19,000 to the Foundation for employee travel reported as other income in the statement of revenues, expenses and changes in net position.

(7) **Subsequent Events:**

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 26, 2018, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

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

To the Audit and Finance Committee,
Florida 4-H Club Foundation, Inc.
Gainesville, Florida:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida 4-H Club Foundation, Inc. (the Foundation) as of and for the year ended March 31, 2018, and the related notes to the financial statements and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

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

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

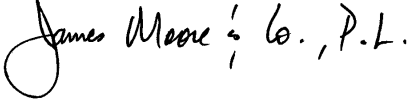
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
June 26, 2018