
**Audited Financial
Statements and
Reports**

**For the Year Ended
June 30, 2019**



ALUMNI
ASSOCIATION

(A Discrete Component Unit of Florida State University)

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Financial Statements and Reports
For the Years Ended June 30, 2019 and 2018

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Florida State University Alumni Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida State University Alumni Association, Inc. (the Association), a discrete component unit of the Florida State University, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Association as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019 on our consideration of the Association'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 the Association'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 the Association's internal control over financial reporting and compliance.

RSM US LLP

Jacksonville, Florida
September 12, 2019

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and 2018

The management's discussion and analysis provides an overview of the financial position and activities of the Florida State University Alumni Association (Association) for the fiscal years ended June 30, 2019 and 2018. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. It should be read in conjunction with the financial statements and notes to financial statements for the Association which follow this section.

OVERVIEW OF FINANCIAL STATEMENTS

The Association's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The financial statements focus on the financial condition of the Association, the results of operations, and cash flows of the Association as a whole. The accrual basis of accounting is used for presentation which is similar to most private-sector companies.

The Statement of Net Position presents the financial position of the Association at the end of the fiscal year and includes all of the assets and liabilities of the Association. The change in net position – the difference between assets and liabilities – is one indicator of the current financial position of the Association; however, other non-financial factors, such as the national and international economy must also be considered when assessing the overall health of the Association. The differences in net position that occur over time indicate whether the overall financial condition of the Association has improved or worsened. Assets and liabilities are reported at cost, approximating fair value, with the exception of investments, which are reported at fair value, and capital assets, which are stated at the historical cost less accumulated depreciation.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenue and expense activity for the Association, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The Statement of Cash Flows provides information about the Association's financial results by reporting the major sources and uses of cash and cash equivalents. This statement assists in evaluating the Association's ability to generate net cash flows, its ability to meet its financial obligations as they come due and its need for external financing.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and 2018

FINANCIAL HIGHLIGHTS

The assets for the Association totaled \$2,763,860 at June 30, 2019 representing an increase of \$85,034, or 3 percent, over the prior fiscal year. This increase is primarily attributed to a growth in the operations endowment held by the Florida State University Foundation as a result of investment earnings. The endowment experience similar growth during fiscal year 2018 as a result of transfers, where assets increased by \$434,437, or 19 percent, over fiscal year 2017.

Liabilities for the Association increased by \$22,674, or 10 percent, at June 30, 2019, compared to \$219,607 at June 30, 2018. Accrued expenses, specifically in the area of salaries and related benefits, was the primary factor contributing to this increase. During fiscal year 2018, liabilities decreased by \$36,476, or 14 percent, mostly related to a decrease in outstanding payables from the prior year. As of June 30, 2019, total ending net position increased \$62,360, or 3 percent, for a year-end balance of \$2,521,579. This is compared to an increase in net position of \$470,913, or 24 percent, from \$1,988,306 in fiscal year 2017 to \$2,459,219 in fiscal year 2018.

The Association's operating revenues totaled \$3,036,803 for the year ended June 30, 2019, reflecting a decrease of \$253,217, or 8 percent, from the prior fiscal year. This decrease is primarily the result of a decline in memberships and sponsorships. Operating revenues were \$3,290,020 during fiscal year 2018 compared to \$3,292,117 in fiscal year 2017, a decrease of less than 1 percent. For the year ended June 30, 2019, operating expenses for the Association were \$3,305,628, resulting in a 1 percent decrease from the prior fiscal year. Operating expenses rose 6 percent from \$3,141,540 in fiscal year 2017 to \$3,344,779 in fiscal year 2018 primarily due to an increase in salaries and related benefits.

Net non-operating revenues for the year ended June 30, 2019 totaled \$331,185 representing a decrease of 37 percent from the prior fiscal year. Contributions from donors was significantly higher than normal during fiscal year 2018 due to an unexpected estate gift. In addition, investment earnings generated on the endowment did not produce as much income during fiscal year 2019. During fiscal year 2018, net non-operating revenues were \$525,672 representing an increase of 30 percent over fiscal year 2017; however, as mentioned previously, this increase was attributed to an unexpected estate gift resulting in an increase in contributions from donors.

CAPITAL ASSETS

Capital assets totaled \$17,647 at June 30, 2019 which reflects a decrease of \$11,607 over the prior year. This change was the result of depreciation expense for the year. At June 30, 2018, capital assets totaled \$29,254 resulting in a decrease of \$15,586 from fiscal year 2017. Refer to Note 7 for additional information regarding the Association's capital assets.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and 2018

BUDGETARY HIGHLIGHTS

The Association's budgeted revenues for the year ended June 30, 2019 was \$3,993,532. Actual revenues were \$3,409,057 which represents an unfavorable variance of \$584,475, or 15 percent, compared to projected revenues. The unfavorable variance is primarily attributed to a decline in memberships as well as sponsorships due to an anticipated contract that was not received. During fiscal year 2018, budgeted revenues were \$3,974,054 compared to actual revenues of \$3,905,398 representing an unfavorable variance of \$68,656, or 2 percent.

The Association's budgeted expenses for the year ended June 30, 2019 was \$3,493,532. Actual expenses were \$3,346,697 representing a favorable variance of \$146,835, or 4 percent, compared to projected expenses. Savings in the areas of travel and entertainment and printing and marketing were the primary factors. Budgeted expenses for fiscal year 2018 were \$3,974,054 compared to actual expenses of \$3,434,485 resulting in a favorable variance of \$539,569, or 14 percent.

ECONOMIC CONDITIONS AND OUTLOOK

Florida State University and the Florida State University Foundation are expected to support the Association at levels consistent with the current year. Although the number of Seminole Clubs is expected to have a slight increase for the next fiscal year, there are no other economic factors expected to impact the Association in the foreseeable future.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and 2018

CONDENSED FINANCIAL INFORMATION

The following table shows condensed statements of net position as of June 30:

Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Current assets	\$2,746,213	\$2,649,572	\$2,199,549
Noncurrent assets	17,647	29,254	44,840
Total assets	<u>2,763,860</u>	<u>2,678,826</u>	<u>2,244,389</u>
Liabilities			
Current liabilities	242,281	219,607	256,083
Total liabilities	<u>242,281</u>	<u>219,607</u>	<u>256,083</u>
Net position			
Net investment in capital assets	17,647	29,254	44,840
Unrestricted	2,503,932	2,429,965	1,943,466
Total net position	<u>\$2,521,579</u>	<u>\$2,459,219</u>	<u>\$1,988,306</u>

The following table summarizes the Association's activities for the fiscal years ended June 30:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$3,036,803	\$3,290,020	\$3,292,117
Operating expenses	(3,305,628)	(3,344,779)	(3,141,540)
Net operating revenues (expenses)	<u>(268,825)</u>	<u>(54,759)</u>	<u>150,577</u>
Non-operating revenues	372,254	615,378	440,201
Non-operating expenses	(41,069)	(89,706)	(36,389)
Net non-operating revenues	<u>331,185</u>	<u>525,672</u>	<u>403,812</u>
Increase in net position	62,360	470,913	554,389
Net position, beginning of year	2,459,219	1,988,306	1,433,917
Total net position, end of year	<u>\$2,521,579</u>	<u>\$2,459,219</u>	<u>\$1,988,306</u>

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Financial Statements
Statement of Net Position
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash	\$200,965	\$335,923
Short-term investments	153,374	150,790
Due from FSU Foundation	415,841	404,830
Operation endowment held by FSU Foundation	1,894,055	1,688,600
Life memberships receivable, net	12,935	20,928
Other assets	69,043	48,501
Total current assets	2,746,213	2,649,572
Noncurrent assets		
Capital assets, net	17,647	29,254
Total noncurrent assets	17,647	29,254
Total assets	2,763,860	2,678,826
 LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$175,781	\$142,365
Unearned revenue	66,500	77,242
Total current liabilities	242,281	219,607
Total liabilities	242,281	219,607
 NET POSITION		
Net investment in capital assets	17,647	29,254
Unrestricted	2,503,932	2,429,965
Total net position	\$2,521,579	\$2,459,219

See accompanying notes to financial statements.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Financial Statements
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Transfers from related organizations	\$2,017,440	\$2,157,904
In-kind contributions	345,975	345,975
Annual memberships	256,729	296,616
Commissions	151,737	145,144
Special events	104,627	122,312
Life memberships	64,690	73,290
Sponsorships	62,500	93,750
Five year memberships	28,050	41,375
Other income	5,055	13,654
Total operating revenues	3,036,803	3,290,020
OPERATING EXPENSES		
Salaries and related benefits	1,845,012	1,853,112
Office space and other rentals	374,125	359,743
Special events	219,401	221,946
General and administrative	188,786	202,122
Travel	134,457	34,312
Postage and printing	124,166	147,099
Transfers to related organizations	96,689	145,350
Professional services	88,918	102,062
Materials and supplies	61,294	60,712
Promotional	60,566	48,799
Receptions and meetings	60,072	56,949
Liability and casualty insurance	48,911	45,046
Dues solicitation	3,231	67,527
Total operating expenses	3,305,628	3,344,779
Operating loss	(268,825)	(54,759)
NON-OPERATING REVENUES (EXPENSES)		
Contributions from donors	200,659	407,088
Facility rental income	118,470	105,594
Investment income	53,125	102,696
Facility rental expense	(41,069)	(89,706)
Total non-operating revenues (expenses)	331,185	525,672
Change in net position	62,360	470,913
Net position, beginning of year	2,459,219	1,988,306
Net position, end of year	\$2,521,579	\$2,459,219

See accompanying notes to financial statements.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Financial Statements
Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Cash received from members	\$356,644	\$418,090
Cash received from others	853,847	930,753
Cash paid to vendors and others	(1,624,584)	(1,708,735)
Net cash used in operating activities	<u>(414,093)</u>	<u>(359,892)</u>
 Cash Flows From Noncapital Financing Activities		
Contributions from donors	200,617	407,038
Cash received for rental of facilities	118,470	105,594
Cash paid related to rental of facilities	(41,069)	(89,706)
Net cash provided by non-operating activities	<u>278,018</u>	<u>422,926</u>
 Cash Flows From Investing Activities		
Investment income	3,701	1,603
Proceeds from sale of investments	-	4,788
Cash paid for purchase of investments	(2,584)	(1,311)
Net cash provided by investing activities	<u>1,117</u>	<u>5,080</u>
Net (decrease) increase in cash	(134,958)	68,114
Cash, beginning of year	335,923	267,809
Cash, end of year	<u><u>\$200,965</u></u>	<u><u>\$335,923</u></u>

See accompanying notes to financial statements.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.
Financial Statements
Statement of Cash Flows (Concluded)
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	(\$268,825)	(\$54,759)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	11,607	15,186
Investment income from FSU Foundation Funds	49,424	101,093
Donor contributions from FSU Foundation funds	42	50
Write off of capital assets	-	400
Change in assets and liabilities:		
Life memberships receivable	7,993	9,951
Operations endowment held by FSU Foundation	(205,455)	(511,707)
Due from FSU Foundation	(11,011)	(26,283)
Other assets	(20,542)	142,653
Accounts payable and accrued expenses	33,416	(42,947)
Unearned revenue	(10,742)	6,471
Net cash used in operating activities	<u><u>(\$414,093)</u></u>	<u><u>(\$359,892)</u></u>

See accompanying notes to financial statements.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

Financial Statements

Notes to Financial Statements

For the Years Ended June 30, 2019 and 2018

1. NATURE OF ORGANIZATION

The Florida State University Alumni Association, Inc. (Association) is a nonprofit organization whose function is to provide a link between alumni and Florida State University (University).

The Association provides programming, communications and recognition services for alumni and friends, while coordinating homecoming and other promotional functions throughout the year. The Association has also created a network of Seminole clubs servicing the needs of alumni nationwide. The Association provides limited oversight and support to the activities of the Seminole Clubs which are legally separate entities. During fiscal year 2019, there were a total of 51 clubs reporting as chapters of the Association.

The Association's Board is comprised of 39 Directors who are elected by the Board to a three year term of office. Executive Officers of the Board are elected for a one year term of office and consist of a Board Chair, Chair-Elect, Vice Chair, Secretary, Treasurer, Immediate Past Chair, President of the Association, President of the University or the President's designee as well as two additional Directors appointed by the Board Chair. All Directors are approved by the University's Board of Trustees as required by Section 1004.28, *Florida Statutes*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As a component unit of the University, the Association prepares its financial statements according to the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. This Statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. These standards require public institutions to present management's discussion and analysis (MD&A), basic financial statements, notes to the financial statements, and required supplementary information other than MD&A.

The standards require the classification of net position into three components defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

Financial Statements

Notes to Financial Statements

For the Years Ended June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted – This component represents the net position of the Association which is restricted by constraints placed on the use by external groups such as creditors, grantors, contributors or laws and regulations. The Association had no restricted net position as of June 30, 2019 and 2018, respectively.
- Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

The Association’s policy is to apply restricted resources before unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available for use.

Reporting Entity

In defining the Association for financial reporting purposes, management has applied the requirements of *Governmental Accounting Standards Board Statement (GASB) No. 14, the Financial Reporting Entity and GASB No. 61, the Financial Reporting Entity, Omnibus*. These statements establish the basis for the reporting entity and whether it is considered a component unit of another entity. The Association would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and (1) is able to impose its will on the potential component unit and/or (2) is fiscally dependent and is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit’s board. The Association is a direct support organization of the University and has met all of the financial accountability criteria necessary to be considered a component unit of the University.

Measurement Focus and Basis of Accounting

The Association is presented as a component unit of the University. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows.

Revenues, expenses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

Financial Statements

Notes to Financial Statements

For the Years Ended June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget

As set forth in the bylaws of the articles of incorporation, the Association adopts an annual budget for all revenues and expenses which the Board of Directors approves. This budget must then be approved by the President of the University and sent to the University Board of Trustees for review and final approval.

Revenue Recognition

Life memberships are recognized as revenue in the year committed and unpaid memberships are recorded as life memberships receivable net of an allowance for doubtful accounts. Annual memberships are recognized as revenue when received. Contributions related to the Westcott brick program are also recognized as revenue in the year received. Intentions to give, such as amounts bequested upon death, are not included in these financial statements.

Investments

The Association has purchased certificates of deposit reported as short-term investments on the Statement of Net Position. These investments are highly-liquid with maturities of less than one year.

The Association's long-term investments are reported at fair value using quoted market prices or other fair value techniques, including net asset value, as required by GASB Statement No. 72, *Fair Value Measurement and Application*.

The following are required risk disclosures applicable to the Association's investments:

Credit Risk – Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Association's investments are held by the Florida State University Foundation, Inc. (Foundation) and follows the policies of the Foundation with regards to credit risk.

Concentration of Credit Risk – The Association maintains a cash account with a financial institution that qualifies as a public depository pursuant to Chapter 280, Florida Statutes. A qualified public depository has a branch office(s) authorized to receive deposits in Florida, maintains FDIC deposit insurance, meets the specific statutory requirements of Section 280.17, Florida Statutes, and has been approved by the Florida Treasury's Bureau of Collateral Management to accept public funds for deposit. 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 satisfied first through any applicable deposit insurance, and then through the sale of collateral pledged or deposited by the defaulting depository. When necessary, assessments may also be made against other qualified public depositories of the same type as the depository in default.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

Financial Statements

Notes to Financial Statements

For the Years Ended June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Custodial Credit Risk – The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker, dealer) to a transaction, the Association will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Association’s investments, excluding short-term certificates of deposit, are held by the Foundation and follow the policies of the Foundation in regards to custodial credit risk.

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. The Association’s investments are held by the Foundation and follows the policies of the Foundation with regards to interest rate risk.

Capital Assets

Capital assets (\$5,000 and over) are recorded at cost, less accumulated depreciation, computed on the straight-line basis. These assets are depreciated over their estimated useful lives, ranging from five to forty years depending on the asset class. Asset classes are categorized as computer equipment, furniture and equipment, leasehold improvements and vehicles.

Income Taxes

The Association is a nonprofit corporation which is generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Activities which constitute a trade or business, that are regularly carried on and not substantially related to the Association’s exempt purpose, may be considered unrelated business income activities under Section 511(a) of the Internal Revenue Code and subject to income tax. The Association had no unrelated business income tax expense for the years ended June 30, 2019 and 2018, respectively.

Contributed Facilities

The Association is provided the use of office space by the University. Contributions with reasonably determinable fair values have been included in revenues as in-kind contributions.

Due From the Foundation

Some funds of the Association are invested by the Foundation on the Association’s behalf. These amounts are included in Due from FSU Foundation on the Statement of Net Position and any activity is included in the Statement of Revenues, Expenses and Changes in Net Position.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

Financial Statements

Notes to Financial Statements

For the Years Ended June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operation Endowment held by the Foundation

The FSU Alumni Association operation endowment was established to provide support for general operations and financial stability of the organization. The endowment is administered and invested by the Foundation with the intent that it will be held in perpetuity; however the Association bears the right to withdraw these funds with a two-thirds vote of their Board of Directors. These amounts are included in Operation endowment held by FSU Foundation on the Statement of Net Position and any activity is included in the Statement of Revenues, Expenses and Changes in Net Position.

Operating Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as dues and memberships, result from exchange transactions associated with the principle activities of the Association. Exchange transactions are those in which each party to the transaction receives or gives up essentially equal values. In-kind contributions from the University are considered operating revenues as they directly offset certain operating expenses. Operating expenses include the cost of membership services and administration. Non-operating revenues arise from exchange transactions not associated with the Association's principle activities, such as contributions, facility rentals and investment income.

Management Estimates

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

Recent Accounting Pronouncements

The GASB has issued new accounting guidance or modifications to, or interpretations of, existing accounting guidance. The Association has considered the new un-adopted guidance and does not believe that any other new or modified guidance will have a material impact on the Association's reported financial position or activities in the near term.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified in order to conform with the 2019 presentation. These reclassifications had no impact on total assets, total liabilities, total net position, or change in net position previously reported.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

Financial Statements

Notes to Financial Statements

For the Years Ended June 30, 2019 and 2018

3. CASH AND SHORT-TERM INVESTMENTS

Cash consists of cash on hand and deposits held by financial institutions. The Association maintains its accounts with a financial institution that qualifies as a public depository pursuant to Chapter 280, Florida Statutes. There were no uninsured amounts as of June 30, 2019 and 2018, respectively. Cash balances were \$200,965 and \$335,923 as of June 30, 2019 and 2018, respectively.

Short-term investments are made up of certificates of deposits with maturities that typically range less than one year. The Association holds these short-term investments in the National Credit Union Association (NCUA) which is guaranteed by the National Credit Union Share Fund up to \$250,000 per account. Prior to March 2018, the Association held these investments in a Certificate of Deposit Account Registry Service (CDARS) which was guaranteed by the FDIC up to \$250,000 per account. As of June 30, 2019 and 2018, these investments totaled \$153,374 and \$150,790, respectively.

4. DUE FROM FSU FOUNDATION

Amounts due from the Foundation consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash	\$8,052	\$8,052
Investments	<u>407,789</u>	<u>396,778</u>
Total due from the Foundation	<u>\$415,841</u>	<u>\$404,830</u>

In addition to investments, the Association has other funds held by the Foundation. Most of these funds are generated through the fundraising efforts of the Association and are maintained by the Foundation on the Association's behalf. These amounts are included in Due from FSU Foundation on the Statement of Net Position and any activity is included in the Statement of Revenues, Expenses and Changes in Net Position.

5. OPERATION ENDOWMENT HELD BY FSU FOUNDATION

During fiscal year 2018, the Association established the FSU Alumni Association operation endowment to provide support for general operations and financial stability of the organization. The endowment is administered and invested by the Foundation with the intent that it will be held in perpetuity; however the Association bears the right to withdraw these funds with a two-thirds vote of their Board of Directors. As of June 30, 2019 and 2018, endowment balances totaled \$1,894,055 and \$1,688,600, respectively.

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For the Years Ended June 30, 2019 and 2018

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Association, through an agreement with the Foundation, invests its surplus funds in the long-term investment portfolio of the Foundation with the intent of achieving the highest possible return. The Foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies and investment managers. Key decisions in this regard are made by the Foundation's Investment Committee, which has oversight responsibility for the Foundation's investment program. The Foundation's Investment Committee identifies appropriate asset categories for investments, determines the allocation of assets to each category, and approves the investment strategies employed.

The Association prepares its financial statements according to the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined 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.

In determining the fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are disclosed in one of the following three categories:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are observable, either directly or indirectly, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the asset;
- Level 3 inputs are significant unobservable inputs. The Association has no investments valued using level 3 inputs.

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6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

All transfers between fair value hierarchy levels are recognized by the Foundation at the end of each reporting period. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investment in those instruments.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable securities - The fair value of marketable securities reflects market closing prices reported from publicly traded exchanges.

Commingled funds - Depending on the redemption options available, as a practical expedient it may be possible that for investments in other funds or investment partnerships, the reported net asset value (NAV) represents fair value based on observable data such as ongoing redemption and/or subscription activity. The Foundation does not classify investments whose fair value is determined using the net asset value as a practical expedient within the fair value hierarchy.

The Association had invested \$2,134,844 and \$1,911,329 with the Foundation for the years ended June 30, 2019 and 2018, respectively. In addition, amounts totaling \$167,000 and \$174,049 were transferred to the Foundation for investment during the years ended June 30, 2019 and 2018, respectively. These amounts are included in Due from FSU Foundation on the Statement of Net Position and any activity is included in the Statement of Revenues, Expenses and Changes in Net Position.

The Association's proportionate share of the Foundation's assets measured at fair value on a recurring basis as of June 30, 2019 and 2018 are summarized as follows:

Description	June 30, 2019			Fair Value
	Level 1	Level 2	Level 3	
Marketable securities				
Short-term Investment Fund	\$34,031	\$ -	\$ -	\$34,031
Commingled funds				
International equities – emerging markets	36,084	-	-	36,084
Total assets in the fair value hierarchy	\$70,115	\$ -	\$ -	\$70,115
Investments measured at net asset value*	-	-	-	2,064,729
Total investments	\$70,115	\$ -	\$ -	\$2,134,844

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6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

<u>Description</u>	June 30, 2018			Fair Value
	Level 1	Level 2	Level 3	
Marketable securities				
Short-term Investment Fund	\$3,473	\$ -	\$ -	\$3,473
Securities held for resale	555	-	-	555
Commingled funds				
International equities – emerging markets	43,934	-	-	43,934
Real assets – global natural resources	48,254	-	-	48,254
Total assets in the fair value hierarchy	\$96,216	\$ -	\$ -	\$96,216
Investments measured at net asset value*	-	-	-	1,815,113
Total investments	\$96,216	\$ -	\$ -	\$1,911,329

*In accordance with GASB 72 certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

The following tables disclose all investments whose value is calculated using NAV, using the practical expedient.

<u>Description</u>	June 30, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income(a)				
Domestic institutional pooled fund	\$189,347		Daily	2 days
Equities (b)				
Institutional pooled funds	1,098,417		Daily / 1-6 months	2-60 days
Hedge funds				
Long/short equity (c)				
U.S. long/short	22,457		Annually	60 days
Global long/short	113,883		Quarterly/Annually/ Every 3 months	45-65 days
Absolute return (d)				
Diversified arbitrage	58,324		Quarterly	45 days
Event driven/open mandate	100,474		Quarterly/Annually/ Every 12 months	30-90 days
Credit strategies/distressed	42,970		Quarterly/Annually/ Every 24 months	45-90 days
Global macro	23,119		Monthly	10 days
Limited partnerships (e)				
Venture capital	132,277	\$40,087		
Private equity	113,289	241,827		
Distressed assets	6,631	17,925		
Real estate	30,653	16,344		
Natural resources	87,852	72,974		
Real assets (f)				
Global real estate institutional pooled fund	45,036		Daily	2 days
Investments measured at NAV	\$2,064,729	\$389,157		

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For the Years Ended June 30, 2019 and 2018

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

<u>Description</u>	June 30, 2018			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fixed income(a)				
Domestic institutional pooled fund	\$185,030		Daily	2 days
Equities (b)				
Institutional pooled funds	923,020		Daily / 1-6 months	2-60 days
Hedge funds				
Long/short equity (c)				
U.S. long/short	20,933		Annually	60 days
Global long/short	130,906		Quarterly/Annually/ Every 3 months	45-65 days
Absolute return (d)				
Diversified arbitrage	63,412		Quarterly	45 days
Event driven/open mandate	97,154		Quarterly/Annually/ Every 12 months	30-90 days
Credit strategies/distressed	44,940		Quarterly/Annually/ Every 24 months	45-90 days
Global macro	33,838		Monthly	10 days
Limited partnerships (e)				
Venture capital	83,959	\$62,236		
Private equity	84,689	150,345		
Distressed assets	7,564	16,581		
Real estate	28,500	21,869		
Natural resources	72,936	54,482		
Real assets (f)				
Global real estate institutional pooled fund	<u>38,232</u>		Daily	2 days
Investments measured at NAV	<u>\$1,815,113</u>	<u>\$305,513</u>		

(a) Fixed Income - This category includes investments in domestic and global institutional pooled funds.

(b) Equities - This category includes investments in U.S., global ex. U.S., and emerging markets institutional pooled funds.

(c) Long/short equity - This category includes investments in offshore funds that invest both long and short in domestic and international equity securities. The funds can also opportunistically invest in other domestic and international securities and instruments where the managers deem appropriate.

(d) Absolute return - This category includes investments in offshore funds, except for one unit trust fund, that are designed to produce results that are largely independent of, or have low correlation to, the broader markets.

(e) Limited partnerships - This category includes investments in several limited partnership funds that invest in private equity, venture capital, distressed assets, natural resources and real estate.

(f) Real assets - This category includes investments in a global REIT and a global natural resources fund.

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7. CAPITAL ASSETS

A summary of changes in capital assets at June 30 is shown below:

June 30, 2019	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable Capital Assets				
Leasehold improvements	\$36,507	\$ -	\$ -	\$36,507
Furniture and equipment	100,188	-	-	100,188
Computer equipment	34,486	-	(12,895)	21,591
Vehicles	49,112	-	-	49,112
Total Depreciable Capital Assets	220,293	-	(12,895)	207,398
Less: Accumulated Depreciation				
Leasehold improvements	(17,906)	(1,476)	-	(19,382)
Furniture and equipment	(100,188)	-	-	(100,188)
Computer equipment	(29,759)	(4,205)	12,895	(21,069)
Vehicles	(43,186)	(5,926)	-	(49,112)
Total Accumulated Depreciation	(191,039)	(11,607)	12,895	(189,751)
Total Depreciable Capital Assets	\$29,254	(\$11,607)	\$ -	\$17,647
June 30, 2018	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable Capital Assets				
Leasehold improvements	\$36,507	\$ -	\$ -	\$36,507
Furniture and equipment	102,623	-	(2,435)	100,188
Computer equipment	38,825	-	(4,339)	34,486
Vehicles	49,112	-	-	49,112
Total Depreciable Capital Assets	227,067	-	(6,774)	220,293
Less: Accumulated Depreciation				
Leasehold improvements	(16,430)	(1,476)	-	(17,906)
Furniture and equipment	(102,602)	(20)	2,434	(100,188)
Computer equipment	(25,934)	(7,765)	3,940	(29,759)
Vehicles	(37,261)	(5,925)	-	(43,186)
Total Accumulated Depreciation	(182,227)	(15,186)	6,374	(191,039)
Total Depreciable Capital Assets	\$44,840	(\$15,186)	(\$400)	\$29,254

Total depreciation expense for the years ended June 30, 2019 and 2018 was \$11,607 and \$15,186, respectively. This amount was charged to general and administrative expense on the Statement of Revenues, Expenses and Changes in Net Position.

FLORIDA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

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For the Years Ended June 30, 2019 and 2018

8. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$32,439	\$10,605
Prepaid expenses	19,650	36,896
Other	<u>16,954</u>	<u>1,000</u>
Total other current assets	<u>\$69,043</u>	<u>\$48,501</u>

9. RETIREMENT PLAN

The Association personnel are employees of the University and are eligible to enroll as members of the State administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 605, Florida Administrative Code; wherein plan eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Benefits of the Plan vest as of six years of service or eight years for new employees enrolled after July 1, 2011. All members are eligible for normal retirement benefits based on the plan definition of normal retirement date which is determined on the date they enrolled in the plan. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

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9. RETIREMENT PLAN (continued)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement's Web site (www.frs.myflorida.com).

It has been determined that the Association is not a payor fund for the purposes of liquidating the pension liability. An actuarial valuation has been performed for the plan. The Association's employees were included in the actuarial analysis and are part of the total pension liability and net pension liability disclosed in the footnotes and required supplementary information of the University's Annual Report. The University does not determine a separate liability for the Association employees and as a result, there is no net pension liability recorded in these financial statements.

The cost of the defined benefit pension plan for the Association's current employees is paid by the University and recorded by the Association as an operating transfer from related organizations and an operating expense. Retirement contributions were \$116,930 and \$137,114 for the years ended June 30, 2019 and 2018, respectively.

10. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

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10. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. The University provided required contributions toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums.

It has been determined that the Association is not a payor fund for the purpose of liquidating the net OPEB liability. An actuarial valuation has been performed for the plan. The Association's employees were included in the actuarial analysis of the valuation of the OPEB Plan and are part of the OPEB disclosed in the footnotes and required supplementary information of the University's Annual Report. The University does not determine a separate liability for the Association employees and as a result, there is no OPEB cost, percentage of annual OPEB cost contributed to the Plan, or the net OPEB liability recorded in these financial statements.

11. TRANSFERS FROM RELATED ORGANIZATIONS

Transfers from related organizations consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
University	\$1,456,225	\$1,602,030
FSU President's Office	412,775	412,775
FSU Foundation	125,000	125,000
FSU Student Groups	21,160	15,877
Others	<u>2,280</u>	<u>2,222</u>
Total transfers from related organizations	<u>\$2,017,440</u>	<u>\$2,157,904</u>

These transfers include both cash and noncash support.

12. IN-KIND CONTRIBUTIONS

The University which is a related organization provides support to the Association in the form of contributed facilities. The Association occupies approximately 22,000 square feet of office and meeting facilities in Tallahassee, Florida, the use of which is provided without charge by the University. The rental value of the facilities was estimated based on current rental rates for comparable properties in the area. In-kind contributions are valued at fair value at the date of the donation.

In-kind contributions of \$345,975 have been recognized as revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018.

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13. RISK MANAGEMENT PROGRAMS

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property and general liability coverage are provided through commercial insurance carriers, and management continuously reviews the limits of coverage to ensure that they are adequate. No settlements have exceeded coverage in place during the past three fiscal years.

14. RESERVE FUND

Effective June 5, 2015, the Association's Board of Directors approved the implementation of a reserve fund. The purpose of this fund is to ensure that there are adequate reserves in place to offset significant declines in revenue that might occur from time to time. The reserve fund would allow for funding of existing programs and other necessary expenditures to provide stability for the Association during the reduced revenue period. The amount of unrestricted net position reserved for this purpose was \$561,163 and \$547,568 for the years ended June 30, 2019 and 2018, respectively.

15. RELATED ORGANIZATIONS

The Association serves to promote the welfare of the University by cultivating a mutually beneficial relationship between Florida State University and its alumni. This is accomplished in concert with the following:

- **Florida State University (University)** – The University provides support to the Association for publication of the VIRES magazine and for various events that are held in partnership with student groups and University units across campus. The University provided support totaling \$436,215 and \$430,874 to the Association for this purpose for the years ended June 30, 2019 and 2018, respectively. In addition to programmatic support, the Association recognized operational support from the University for salaries and related benefits as well as other expenses of \$1,456,225 and \$1,602,030 for the years ended June 30, 2019 and 2018, respectively. The University also provides office space valued at \$345,975 which is recorded as in-kind support for the years ended June 30, 2019 and 2018, respectively.
- **Florida State University Foundation, Inc. (Foundation)** – The Foundation's purpose is to aid the advancement of the University through charitable giving. To better utilize the Seminole Club Chapters for advancement in coordination with the Association, Operation Club began in fiscal year 2012. As a result, the Foundation provides monetary support for Operation Club. The Foundation provided support of \$125,000 to the Association for Operation Club for the years ended June 30, 2019 and 2018, respectively.

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15. RELATED ORGANIZATIONS *(continued)*

- **Seminole Boosters, Inc. (Boosters)** – The purpose of the Seminole Boosters is to provide financial support for the athletic program. In this regard, the Boosters work in conjunction with the Association on athletic-based programming activities held on behalf of the University which include tailgate and other Alumni gatherings at athletic events around the country.

- **Seminole Club Chapters** – There are 51 Seminole Club Chapters nationwide. These chapters build strong relationships among alumni, students, parents, and the community as a whole. Monetary support is provided by the Association to these chapters to promote advancement for the University through various outreach and engagement activities that are held throughout the year. The Association provided support of \$96,689 and \$95,350 to Seminole Clubs for the years ended June 30, 2019 and 2018, respectively.

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

Independent Auditor's Report

To the Board of Directors
Florida State University Alumni Association, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Florida State University Alumni Association (the Association), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated September 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

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

Compliance and Other Matters

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



RSM US LLP

Purpose of this Report

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

RSM US LLP

Jacksonville, Florida
September 12, 2019