Board of Trustees
Audit & Compliance Committee Meeting

Wednesday, May 22, 2019
11:15 AM-12:00 PM
or upon the conclusion of the Finance and Facilities Committee meeting

SUN 'n FUN Fly-In, 4175 Medulla Road, Lakeland, FL

Dial In Number: 240-454-0887 | Access Code: 640 724 241

AGENDA

I.	Call to Order	Gary Wendt, Chair
II.	Roll Call	Kim Abels
III.	Public Comment	Gary Wendt, Chair
IV.	Approval of the March 13, 2019 Minutes *Action Required*	Gary Wendt, Chair
V.	2018-20 Audit and Compliance Committee Work Plan Review	David Blanton
VI.	Audit & Compliance Update	David Blanton
VII.	University Compliance and Ethics Program Plan FYE 6/30/20 *Action Required*	David Blanton
VIII.	University Financial Audit FYE 6/30/18 *Action Required*	David Blanton
IX.	Foundation Financial Audit FYE 6/30/18 *Action Required*	David Blanton
X.	Closing Remarks and Adjournment	Gary Wendt, Chair

Florida Polytechnic University
Board of Trustees

Audit and Compliance Committee Meeting

DRAFT MEETING MINUTES

Wednesday March 13, 2019
11:30 AM-12:00 PM

Florida Polytechnic University, 4700 Research Way, Lakeland, FL 33805

I. Call to Order

Committee Chair Gary Wendt called the meeting to order at 11:58 a.m.

II. Roll Call

Kim Abels called the roll: Committee Chair Gary Wendt, Committee Vice-Chair Dick Hallion, Trustee Mark Bostick and Trustee Travis Hills were present (Quorum).

Other trustees present: Trustee Jim Dewey and Trustee Bob Stork

Staff present: President Randy Avent, Mr. Mark Mroczkowski, Mr. Rick Maxey, Mr. David Blanton, Mrs. Kim Abels and Mrs. Kris Wharton were present.

III. Public Comment

There were no requests received for public comment.

IV. Approval of Minutes

Trustee Mark Bostick made a motion to approve the Audit & Compliance Committee meeting minutes of December 5, 2018. Trustee Travis Hills seconded the motion; a vote was taken, and the motion passed unanimously.

V. 2018-2020 Audit & Compliance Committee Work Plan Review

Mr. David Blanton reviewed the Work Plan for 2018-2020. No comments or changes were made.

VI. Audit & Compliance Update

Mr. Blanton provided the Committee with an update of audit and compliance activities. The updates included the following:

A. External Audits: Currently, the Foundation Financial audit is complete and awaiting Foundation Board approval. The University's financial audit for 6/30/18 is near completion but has not been issued by the Auditor General.

B. Internal Audit and Compliance Activities: The CAE completed one review, one investigation, and has assisted with various consulting projects.

C. Foundation Operating and Scholarship Funds: Mr. Blanton reported on the revenues and expenses for the Foundation through February of the current fiscal year. Revenues have declined significantly; however, the University is taking action to reduce Foundation expenses. Trustee Wendt questioned where the revenue comes from. Mr. Blanton answered that it comes from donors and the funds are designated per donor intent.

VII. Auditor General Follow Up Review

Mr. Blanton presented the results of the follow-up review of the prior Operational Audit. Specifically, the following was noted:

1. Several findings have not been corrected to date; however, a corrective action plan has been developed to ensure timely correction prior to the next scheduled operational audit. Three areas at risk of being a repeated finding are textbook affordability, expense card transaction approval and payroll processing. Steps are being taken to correct the processes.

2. Section 1013.74(6) Florida Statutes provides authority for the university to use unspent programmatic funds for capital purposes rather than return such funds (as recommended by the Auditor General). Accordingly, it is recommended that $330,000 in questioned costs from the audit be retained rather than restored to the State Treasury.

Trustee Mark Bostick made a motion to recommend approval of the Auditor General Follow Up Review to the Board of Trustees. Trustee Travis Hills seconded the motion; a vote was taken and the motion passed unanimously.

VIII. Auditor General Information Technology Operational Report

Mr. Blanton presented the results of the Auditor General audit of our IT system (Workday) and reported that there was only one finding noted. Mr. Blanton reported the finding has been corrected.

Trustee Dick Hallion made a motion to recommend approval of the Auditor General Information Technology Operational Report to the Board of Trustees. Trustee Travis Hills seconded the motion; a vote was taken and the motion passed unanimously.

IX. Investigative Report FPU 2019-03

Mr. Blanton presented the results of Investigative Report 2019-03 related to alleged discrimination. Reported allegations were not sustained.

Trustee Travis Hills made a motion to recommend approval of the Investigative Report FPU 2019-03 to the Board of Trustees. Trustee Dick Hallion seconded the motion; a vote was taken and the motion passed unanimously.

X. Closing Remarks and Adjournment

With no further business to discuss, the meeting adjourned at 12:34 p.m.

Florida Polytechnic University
Audit & Compliance Committee
Work Plan 2018-20

February 28, 2018	May 22-23, 2018	September 12, 2018	December 5, 2018
• Audit & Compliance Update	• Audit & Compliance Update • University Financial Audit – FYE 6/30/17 • University Operational Audit • University Compliance & Ethics Program Plan • Enterprise Risk Management (ERM) Workshop • Foundation Financial Audit – FYE 6/30/17	• Audit & Compliance Update • UAC 2017-18 Annual Report • UAC 2018-19 Risk Assessment/Activity Plan • University Operational Audit • Investigative Report Review	• Audit & Compliance Update • SUS Compliance Program Checklist • UAC Audit Report 2019-02 Sponsored Research Activities
March 13, 2019	**May 21-22, 2019**	**September 11, 2019**	**December 11, 2019**
• Audit & Compliance Update • Auditor General Follow-up Review • Auditor General IT Audit • Investigative Report FPU 2019-03	• Audit & Compliance Update • University Compliance & Ethics Program Plan • University Financial Audit – FYE 6/30/18 • Foundation Financial Audit – FYE 6/30/18	• Audit & Compliance Update • UAC 2018-19 Annual Report • UAC 2019-20 Risk Assessment/Activity Plan	• Audit & Compliance Update

AGENDA ITEM: VI.

Florida Polytechnic University
Audit and Compliance Committee
Board of Trustees
May 22, 2019

Subject: Audit and Compliance Update

Proposed Committee Action

Information only – no action required.

Background Information

David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will provide the Committee with an update of all University and Foundation audit activity including (1) the status of external audits (2) University Audit activities and plans (3) Foundation monitoring report and (4) University Compliance activities.

Supporting Documentation: Power Point presentation

Prepared by: David A. Blanton, CAE/CCO

FLORIDA POLYTECHNIC UNIVERSITY

Audit & Compliance Update

David A. Blanton, CPA, CCEP

May 22, 2019

External Audit Status

- **University Financial Audit (FYE 6/30/18)**
  - Report released 3/21/19
  - Presented today for approval

- **Foundation Financial Audit (FYE 6/30/18)**
  - Report released 1/31/19
  - Approved by Foundation Board 4/5/19
  - Presented today for approval

- External Audit Status
- Internal Audit
- University Compliance

Audit Plan Progress

- **Sponsored Research ☑**
- **Operational Audit Follow-up ☑**
- **ADA / Disability Services**
  - In progress
- **Institutional Scholarship Award Administration**

Legend: ☑ Audit / Review Completed

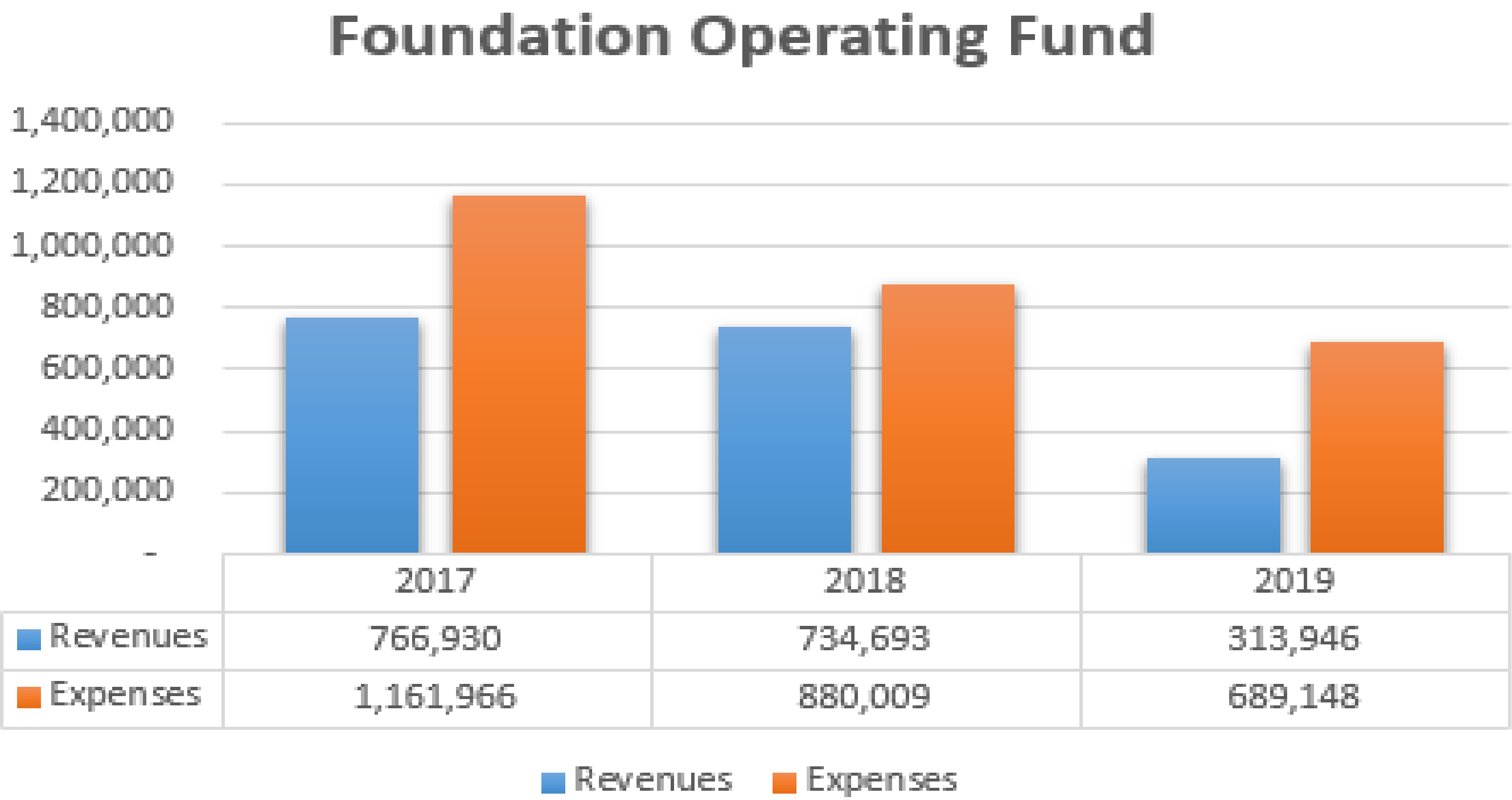
Anti-Hazing Disposition

- No AG disposition to date
- BOG has reviewed and in agreement with revised approach
- Letter from President Avent to BOG Audit Committee Chair

Foundation Monitoring Concerns/Suggestions

- **Stabilize/set annual scholarship limit**
- **Limit operating expenses**
- **Increase operating revenues**
- **Establish and appropriate monitoring system**

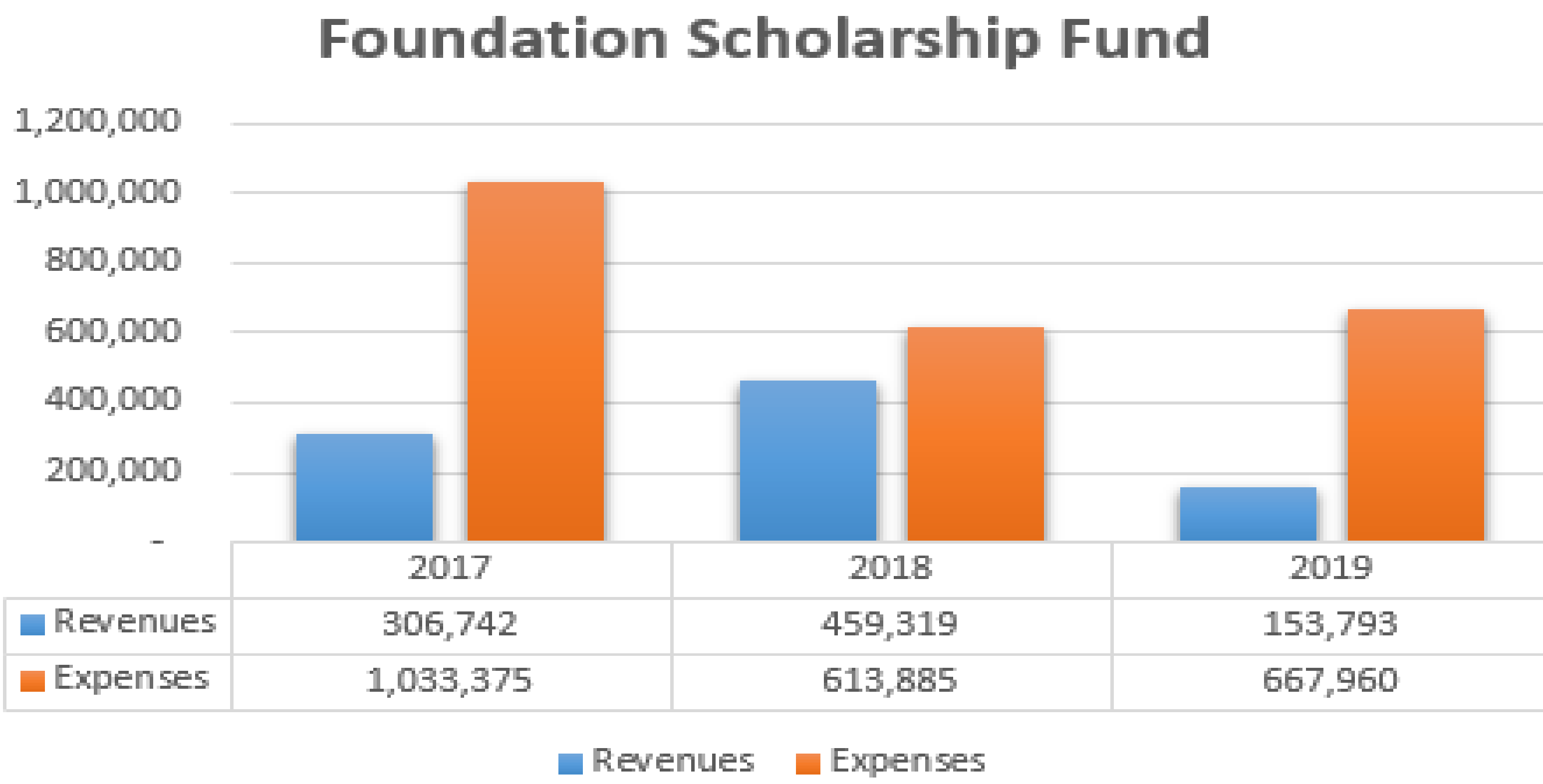
Foundation Fund Monitoring



	2017	2018	2019
Revenues	766,930	734,693	313,946
Expenses	1,161,966	880,009	689,148

Source: Trial Balance Report as of 4/19/19

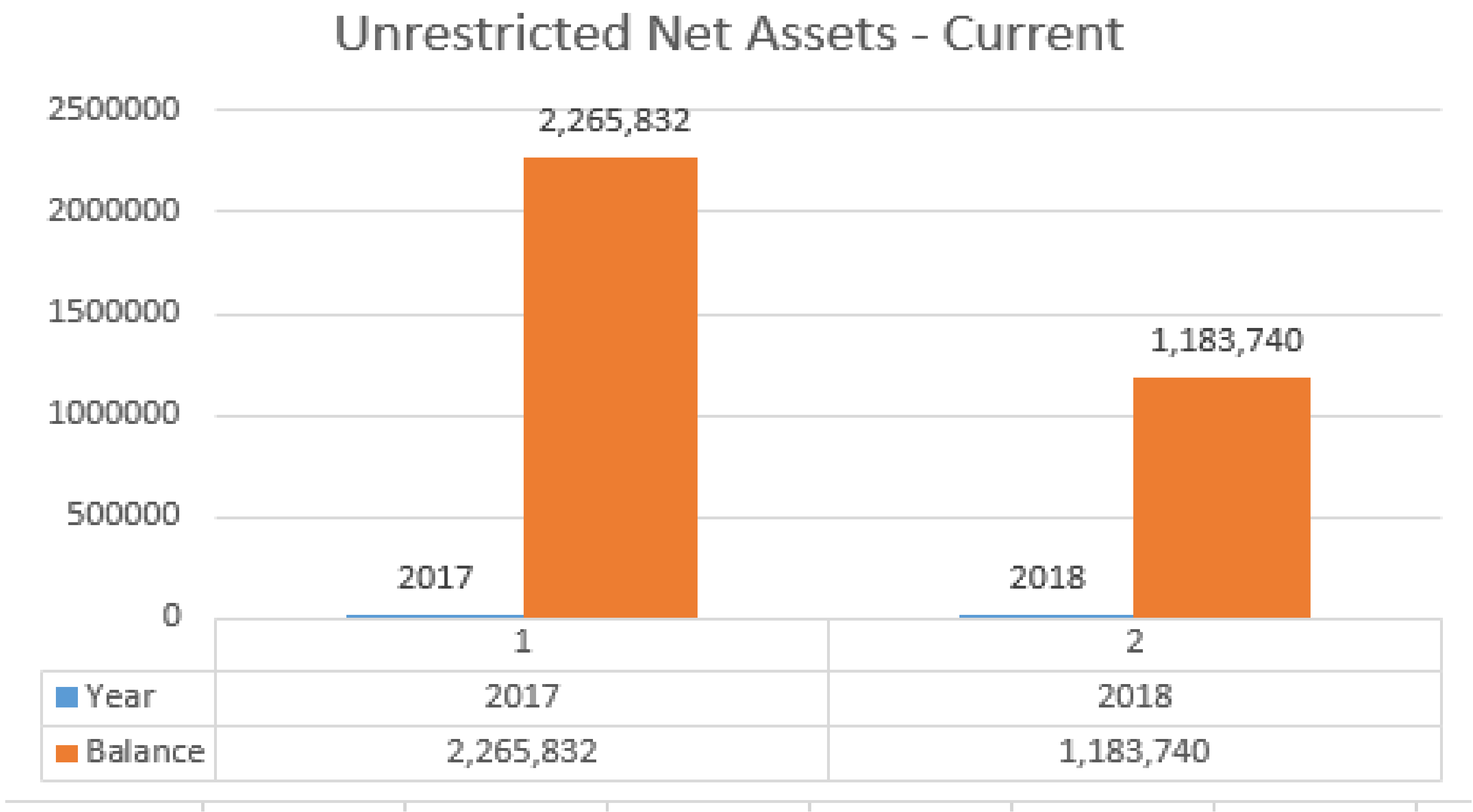
Foundation Fund Monitoring



	2017	2018	2019
Revenues	306,742	459,319	153,793
Expenses	1,033,375	613,885	667,960

Source: Trial Balance Report as of 4/19/19

Unrestricted, Undesignated Net Assets – Current*



*Source= Audited balances less long-term obligations

Other UAC Activities

- Risk Assessment and Audit Plan development
- Quality Assurance Review for another university
- Quality Assurance & Improvement Program for UAC operations

- External Audits
- Internal Audit
- **University Compliance**

2018-19 Compliance Plan Progress

- **2018-19 Compliance plan focus areas**
  - Federal compliance (Research & Financial Aid) ☑
  - Environmental Health & Safety **(defer to 2019-20)**
  - Data privacy and cybersecurity ☑
  - Operational follow-up ☑
  - Compliance & ethics training ☑
  - Investigations/ongoing compliance communications ☑

Other Compliance Activities

- **Manage allegations and complaints received**
  - Monthly disposition report to AACC
- **Color of Money Presentation**
  - Early May
- **Ethics & Internal Control Presentation to Senior Management**
  - Edited, available on video
- **Collaboration with other SUS Compliance Officers in defining external review of Compliance Program**

7 Basic Elements – Compliance & Ethics Plan

- **Standards, Policies, Procedures**
- **Compliance Program Administration**
- **Conduct Controls for Employees**
- **Communication, Education, & Training**
- **Monitoring, Auditing, Reporting System (Hotline)**
- **Discipline & Incentives**
- **Program Modifications**

Note: 2019-20 Compliance & Ethics Plan addresses each element.

2019-20 Compliance Plan Focus Areas

- Environmental Health & Safety
- Contract Management
- Background Screenings
- Training & Communications
- Self-Assessment/Assessment Criteria Development

2019-20 Compliance & Ethics Program Plan Approval

ACTION: Recommend approval of the Compliance and Ethics Program Plan for the 2019-20 fiscal year to the Board

FLORIDA POLYTECHNIC
UNIVERSITY

Office of the President
Florida Polytechnic University
4700 Research Way
Lakeland, Florida 33805

April 11, 2019

Tim Cerio, Chair, Board of Governors Audit & Compliance Committee
325 W. Gaines Street
Tallahassee, FL 32399

Dear Governor Cerio,

Auditor General (AG) Report No. 2018-214, Finding No. 7 (Anti-Hazing Course), recommended Board of Governors (BOG) oversight over the determination of unsupported administrative costs retained by Florida Poly in connection with the Anti-Hazing program. In September 2018, I spoke to the BOG and indicated that Florida Poly would support administrative costs by applying the de minimis Federal indirect cost rate to program expenditures totaling $1.7 million. Using this approach, I reported to the BOG's Audit & Compliance Committee that administrative costs related to the anti-hazing course would be $170,000 (Program costs of $1.7M x .10) and unused programmatic funds totaling $330,000 would be returned to the State Treasury, as recommended by audit.

Subsequent to the BOG meeting in September, it was noted that Section 1013.74(6). Florida Statutes, authorizes Florida Poly to expend reserve or carryforward balances from prior year operational and programmatic appropriations for legislatively approved fixed capital outlay projects authorized for the establishment of a new campus. (Effective through the 2022-23 fiscal year). In addition, Section 1011.45, Florida Statutes authorizes State universities to carry forward unexpended operating funds in subsequent years. Consequently, unused programmatic funds appropriated for the anti-hazing course would not be subject to return, contrary to the recommendation by the AG. Florida Poly has sought our Office of General Counsel's advice on this matter and they are in agreement with this interpretation of authority to retain the funds in question. It was also communicated to my staff that General Counsel for the BOG has evaluated this authority and is in agreement with the revised approach.

We hope that this correspondence provides sufficient information for the BOG's Audit and Compliance Committee to exercise their oversight authority and resolve the actions recommended by the AG. Should you require further clarification on this matter, please feel free to contact me at the number below.

Regards,

Dr. Randy K. Avent. Ph.D., President
Florida Polytechnic University – 863.874.8612

CC: Marshall M. Criser III, Chancellor State University System of Florida
Julie Leftheris, BOG Inspector General
Gina Delulio, Florida Polytechnic University General Counsel
Don Wilson, Florida Polytechnic University Board Chair
David Blanton, Florida Polytechnic University Chief Audit Executive
Vikki Shirley, BOG General Counsel

AGENDA ITEM: VII.

Florida Polytechnic University
Audit and Compliance Committee
Board of Trustees
May 22, 2019

Subject: University Compliance & Ethics Program (2019-20)

Proposed Committee Action

Recommend approval of the University Compliance and Ethics Program Plan for the 2019-20 fiscal year to the Board of Trustees.

Background Information

Florida Board of Governors Regulation 4.003 provides that each board of trustees shall implement a university wide compliance and ethics program as a point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, rules, regulations, rules, policies, and procedures. David Blanton, Chief Compliance Officer (CCO) will present the proposed Plan for the 2019/20 fiscal year. This Plan was developed consistent with applicable coodes of conduct and the Federal Sentencing Guidelines and provides for the various planned focus areas for University Compliance.
The Committee should consider whether the Proposed Plan promotes an organizational culture that encourages ethical conduct and a commitment to compliance.

Supporting Documentation: Compliance and Ethics Program Plan Report – 2019-20 Fiscal Year

Prepared by: David A. Blanton, CAE/CCO

FLORIDA POLYTECHNIC UNIVERSITY

University Compliance

Compliance and Ethics Program Plan

2019-20 Fiscal Year

Ethical Culture: The extent to which an organization regards it's values. Strong ethical cultures make doing what is right a priority. Ethical culture is often an unwritten code by which employees learn what they should think and do. (Ethics Resource Center)

Table of Contents

I. Background and Overview

Florida Board of Governors (BOG) Regulations[1] provide that each board of trustees shall implement a university-wide compliance and ethics program (Program) as a point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, regulations, rules, policies, and procedures. The BOG Regulation further provides that the Program shall be:

- Reasonably designed to optimize its effectiveness in preventing or detecting noncompliance, unethical behavior, and criminal conduct, as appropriate to the institution's mission, size, activities, and unique risk profile.
- Developed consistent with various codes of ethics[2] and the Federal Sentencing Guidelines.
- Implemented within two (2) years of the effective date of the Regulation, or November 2018.
- Evaluated within five (5) years of the effective date of the Regulation, or November 2021.

The Florida Poly Compliance and Ethics Program (Program) was designed with due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance, as outlined by the Federal Sentencing Guidelines, for the seven (7) Program components depicted in the flowchart and outlined below:

7 Basic Components of an Effective Compliance & Ethics Program

[1] Florida Board of Governors Regulation 4.003, implemented November 3, 2016
[2] Code of Ethics for Public Officers and Employees contained in Part III, Chapter 112, Florida Statutes and other applicable codes of ethics

7 Basic Components of an Effective Compliance & Ethics Program

1. Standards, Policies, Procedures
2. Compliance and Ethics Program Administration
3. Conduct Controls for Employees
4. Communication, Education, and Training
5. Monitoring, Auditing, and Reporting System (Hotline)
6. Discipline and Incentives
7. Program Modifications

In addition, the required elements of the Program were properly implemented by November 2018, as required by the BOG Regulation. (See Exhibit A – Compliance Program Status Checklist - November 2018) Each of the various components required by the Federal Sentencing Guidelines are discussed at greater length below and correspond with the seven (7) required Program components outlined above:

Requirement 1: The organization shall establish standards and procedures to prevent and detect criminal conduct.

Plan Response: The University has adopted the following Regulations and Policies (standards) that effectively communicate management's commitment to prevent and detect criminal conduct:

- *Policy FPU-1.0125P Fraud Prevention and Detection*
- *Regulation FPU-1.015 Allegations of Waste, Fraud, Financial Mismanagement, and Other Abuses*
- *Regulation FPU-6.002 Personnel Code of Conduct and Ethics*
- *Regulation 6.011 Employee Criminal Background Checks*
- *Policy FPU-8.0011P Purchasing of Goods and Services*
- *Regulation 8.003 Authority to Suspend or Debar Contractors/Vendors*

Periodically, such Policies and Regulations are subjected to Policy review to ensure that they are comprehensive and prescribe to current practice.

University Compliance maintains various reporting mechanisms to report waste, fraud, financial mismanagement and other abuses and the standards outlined above provide that employees are obligated to report known or alleged violations. (See also Requirement 5)

Requirement 2: The organization's governing authority shall be knowledgeable about the Program and exercise reasonable oversight; high-level personnel shall have overall responsibility for the Program and its effectiveness; and the Program shall be afforded adequate resources to carry out operational responsibility of the Program.

Plan Response: The Audit and Compliance Committee (AACC) of the Florida Polytechnic University's Board of Trustees is charged with oversight of the Program. This responsibility is outlined in the Charter for the AACC. The Chief Compliance Officer (CCO) is responsible for communicating the details of the

Program to the AACC and presenting an annual Program Plan to the AACC for approval. The CCO serves as the liaison to the AACC and provides an update on the Program at each meeting (4 times a year). In addition, the Florida BOG exercises oversight of each institution of the State University System (SUS) to report on the progress of implementing an Ethics and Compliance Program in November of each year[3]. The CCO has overall responsibility for the Program and has been provided with sufficient resources to carry out operational responsibilities of the program. As a new institution founded in 2012, Florida Poly hired it's first-ever CCO beginning on July 31, 2017. Therefore, the Program is in the initial development stages and has had a relatively short window of implementation relative to other SUS institutions.

Requirement 3: The organization shall use reasonable efforts to preclude the hiring or employment of personnel that have engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics Program.

Plan Response: Florida Polytechnic University Regulations[4] provide for the administration of Level 1 background screening for all employees and volunteers and a Level 2 background screening for employees working in areas of special trust or responsibility. (A Level 1 background screening is limited to a statewide criminal history records check though the Florida Department of Law Enforcement while a Level 2 background screening extends beyond that to a national criminal history records check through the Federal Bureau of Investigation). Additionally, the Regulation requires that university employees shall immediately notify the university if convicted of a felony or first degree misdemeanor any time subsequent to becoming employed by the university. The periodic rescreening of employees, as provided for in the University Regulation, serves to further ensure that university employees have not engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics Program. The Program Plan identifies background screenings as an area of focus for the 2019-20 fiscal year. (See Section II of this Plan).

Requirement 4: The organization shall periodically conduct effective trainings and otherwise disseminate information in support of the Program.

Plan Response: The University currently provides for the following training relative to the Compliance and Ethics Program:

- At new employee orientation, all new hires are provided training and provided a copy of our Employee Handbook from our Human Resources Department. The training and the Employee Handbook includes an overview of the Employee Code of Conduct and the University's commitment to the highest degree of ethical standards and conduct. The new employee orientation also includes information relative to compliance with sexual harassment (Title IX Compliance), public records and the Sunshine law, official university travel, time and attendance requirements (Fair Labor Standards Act Compliance), leave policies (FMLA compliance), and discrimination/equal opportunity (Federal EEO compliance).

[3] Compliance Program Status Checklist (see Exhibit A for the November 2018 Checklist)
[4] Regulation FPU 6.011, Employee Criminal Background Checks

- New employees are required to complete on-line cyber security awareness training that covers FERPA compliance, the Clery Act, Gramm-Leach-Bliley Act (GLBA compliance), protecting personally identifiable information (PII) and other compliance matters related to information systems and data maintained by the University. In addition, this training is required annually for all employees. In the 2018-19 fiscal year, University Audit & Compliance tested the controls over such training for both new and existing employees and determined that controls are operating effectively in this area. (Report No. FPU 2019-04).
- New employees are required to complete an on-line sexual harassment training program and our Title IX coordinator provides additional training opportunities throughout the year on sexual harassment.
- All new Board of Trustee (BoT) members attend an orientation that is hosted by the President, the General Counsel, the Chief Financial Officer, and the Chief Audit Executive/Chief Compliance Officer. The orientation includes the dissemination of information relative to the Florida Sunshine law, conflicts of interest, and the Board of Trustees ethics policy which incorporates the Code of Ethics for Public Officers and Employees set forth in Part III of Chapter 112, Florida Statutes. Additionally, Florida Poly Board of Trustee members are required to attend a Board of Governors orientation session prior to service on the university board. The BoT was also provided live ethics training by the CCO at each of the last two Board retreats (May 2018 and 2019).

Training for additional areas with high risk of noncompliance will be developed and conducted by the CCO as provided for in the **Compliance Plan for Key Risks/Compliance Focus Areas** Section of this Program Plan. (Section II)

Requirement 5: The organization shall take reasonable steps to ensure that (a) the Program is properly monitored in order to detect criminal conduct (b) evaluate the effectiveness of the Program and (c) publicize a system providing for reporting mechanisms to report or seek guidance on potential or actual criminal conduct.

Plan Response: With regard to each of the elements specified above in Requirement 5:

(a) As noted in Requirement 3 above, University Regulations[4] require that university employees shall immediately notify the university if convicted of a felony or first degree misdemeanor any time subsequent to becoming employed by the university. The periodic rescreening of employees, as provided for in this University Regulation, serves to further ensure that university employees have not engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics Program.

(b) BOG Regulations[5] require that at least once every five (5) years, the president and board of trustees shall be provided with an external review of the Program's design and effectiveness and any recommendations for improvement, as appropriate. The first external review shall be initiated within five (5) years from the effective date of this regulation. (November 2021) The assessment shall be approved by the board of trustees and a copy provided to the Board of Governors. Although the Program has only been in existence for a relatively short period of time,

[5] Board of Governors Regulation 4.003 (7)(c), implemented November 3, 2016

and the BOG Regulation provides for completion by November 2021, this Plan provides for a self-assessment of the Program as a focus area for the 2019-20 fiscal year. (See Section II)

(c) Although University Regulation[6], provides for the reporting of various allegations, until recently, a reporting mechanism was not highly publicized. In December 2017, the "Compliance and Ethics Hotline" was established to report suspected or actual instances of noncompliance, fraud, waste, or abuse directly to the CCO as outlined below:

1. An on-line reporting form.
2. Telephone
3. Fax
4. Direct mail to P.O. Box.

These mechanisms are publicized on the University website which also has direct links to all University Regulations and Policies that effectively communicate management's commitment to prevent and detect criminal conduct. In addition, the Compliance and Ethics Hotline information is posted on the intranet, which is accessible to all employees. As provided for in University Policy[7], retaliation, or otherwise taking adverse action against any member of the University community because that individual reported or filed a complaint alleging a violation, testified or participated in an investigation or proceeding, or opposed discriminatory practices, is strictly prohibited and could result in expulsion or termination.

Requirement 6: The Program shall be promoted through appropriate *incentives* and provide for appropriate *disciplinary measures* for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.

Plan Response: (Incentives): The current "Performance Review Form", used for evaluations and tied to merit/promotional increases, utilizes the following criteria for evaluation: (one of four criteria applied)

- Shows initiative, uses creative problem solving to reduce barriers, **has integrity and follows State regulations and policies**.

(Disciplinary measures): University Regulations[8], provide that University personnel who are determined to have violated the Code of Ethics are subject to disciplinary action. Disciplinary actions may include penalties such as: dismissal, suspension, demotion, reduction in salary, forfeiture of salary, restitution, public censure, and/or reprimand; other disciplinary actions as may be deemed appropriate.

Requirement 7: After noncompliance, unethical behavior, or criminal conduct has been detected, the organization shall take further reasonable steps to prevent further occurrences, including Program modifications.

Plan Response: Neither significant unethical behavior or criminal conduct has occurred at the University; however, the University is continually seeking to improve on processes and procedures that ensure

[6] Regulation FPU-1.015 Allegations of Waste, Fraud, Financial Mismanagement, and Other Abuses
[7] Policy FPU-1.0125P, Fraud Prevention and Detection
[8] Regulation FPU-6.002, Personnel Code of Conduct and Ethics

compliance with applicable laws, rules, regulations, and laws. To the extent that significant criminal conduct or unethical behavior was ever detected, the Program would be modified to mitigate future occurrences.

II. Compliance Plan for Key Risks/Compliance Focus Areas

This Compliance and Ethics Program Plan (Plan) has identified six (6) different areas of focus for the 2019-20 fiscal year. These focus areas were selected on the basis of perceived risk, and specifically relate to the following areas:

- <u>Environmental Health & Safety</u>
  - Planned scope to include general campus security, laboratory safety, hazardous materials handling and storage, and general safety compliance. Focus area to be coordinated with UAC audit effort for this key risk.
  - This is a carryforward area of focus from the 2018-19 Program Plan.
- <u>Contract Management</u>
  - Planned scope to include such areas as defining tangible contract deliverables, maintaining appropriate documentation to evidence receipt of deliverables, controls over an appropriate level of approval for payments made pursuant to the contract, and overall assessment of contract performance. Focus area to be coordinated with UAC audit effort for this key risk.
- <u>Background Screenings</u>
  - Planned scope to include evaluation of processes in place for new employees and re-screening of existing employees with emphasis on pending statutory changes[9] which may impact this compliance area. This area relates directly to Conduct Controls, one of the seven fundamental elements of an effective compliance and ethics program.
- <u>Training & Communications</u>
  - Live training on University Compliance & Ethics was presented in the 2018-19 fiscal year and recorded for university-wide distribution to those who were not in attendance. The presentation was recently edited and is available throughout the 2019-20 Program Plan year. In addition, the CCO plans to present ethics trainings to the Board at their May retreat in 2020, as similarly done for the 2 previous years.
  - The focus for the 2019-20 Program year will be on enhanced communications to all university staff promoting compliance and ethics awareness. A goal of 2 communications through the university is planned for the current Program Plan.
  - The CCO will provide updates to the Audit and Compliance Committee (AACC).
    - Quarterly updates to the AACC on the Compliance Program.
    - Monthly reporting of allegations and related UAC dispositions to the AACC.

[9] Senate Bill 7014 (2019) which was pending adoption as of development of this Compliance Program Plan.

- Self-Assessment – Compliance Program/Development of Program Assessment Criteria
  - In an effort to enhance the effectiveness of the Compliance and Ethics Program at Florida Poly, a formal evaluation of processes in place will be conducted by UAC in order to identify opportunities for continuous improvement. In addition, UAC plans to participate in the collaborative effort with other SUS institutions in defining the criteria by which the Program will be evaluated externally, as required by November 2021.
- General Compliance Activities/Investigations
  - Ongoing review of existing regulations and policies with an emphasis towards those aimed at promoting compliance and an evaluation of the effectiveness of university operations and the program. This area also includes monitoring of the Compliance & Ethics hotline and performing investigations, as warranted.

III. Program Evaluation

Internal Evaluation: Given that each of the seven (7) Program components required by the Federal Sentencing Guidelines (FSG) Manual have been addressed by this Program Plan, the Program is deemed effective. Additionally, requirements set forth by BOG Regulations, and that will be reflected in the SUS Compliance Program Status Checklist, evidence the completion of an effective Compliance and Ethics Program. Most importantly, this evaluation is further supported by observations of the CCO, from the date of his hiring (7/31/17) to present, in support of management's commitment in both words and action to "do the right thing" to assure that high standards of ethical practice are exhibited in all University business.

As noted above in the Program Plan, UAC is planning to conduct a self-assessment in the 2019-20 fiscal year in order to better to identify opportunities for continuous improvement to the Program. This planned self-assessment is expected to go beyond the essential elements evaluated above (from the FSG Manual) in order to identify specific refinements to enhance the effectiveness of the existing Program.

External Evaluation: As noted in Section I, Requirement (5)(b) above, BOG Regulations[10] require that at least once every five (5) years, the president and board of trustees shall be provided with an external review of the Program's design and effectiveness and any recommendations for improvement, as appropriate. The first external review shall be initiated within five (5) years from the effective date of this regulation. (November 2021) The assessment shall be approved by the board of trustees and a copy provided to the Board of Governors.

As noted above in the Program Plan, the SUS Compliance Consortium is working collaboratively with the BOG to define the criteria by which each SUS institution will be evaluated. It is anticipated that the external review will be conducted prior to the November 2021 deadline imposed by the BOG.

[10] Board of Governors Regulation 4.003 (7)(c), implemented November 3, 2016

IV. Summary

This Compliance and Ethics Program Plan provides for the following components:

- A plan response to address each of the seven program components set forth in the Federal Sentencing Guidelines. Within **Section I**, each of the various Federal Sentencing Guideline requirements are cited within a boxed border and the response to address each requirement.
- Key risks and compliance focus areas deemed necessary to administer the plan. Within **Section II**, such risks and areas of focus were selected based on a review of audit risks and the intention of delivering both compliance and audit services in an efficient manner, given the limited resources of the University and the dual duties of the CAE/CCO.
- **Section III** explains the Program evaluation requirements and outlines a plan for evaluation by the November 2021 date established by the BOG.

This approach to establishing the initial Compliance and Ethics Plan conforms to requirements set forth in both the Federal Sentencing Guidelines and BOG Regulation. The SUS Compliance Program Checklist as of November 2018 **(Exhibit A)** certifies compliance with BOG Regulation 4.003. Only one component of the BOG checklist remains outstanding which provides for an external evaluation of the Program with a 5-year window for compliance. (Due by November 2021). The SUS Compliance Consortium is currently working collaboratively to identify the criteria by which the external evaluation will be evaluated and it is expected that Florida Poly's Program will undergo such and external evaluation by the due date, as required.

V. Exhibits

A. SUS Compliance Program Status Checklist (November 2018)
B. Proposed Budget for Compliance Focus Areas
C. Compliance Program Plan Approval

Exhibit A

STATE UNIVERSITY SYSTEM of FLORIDA
Board of Governors

SUS Compliance Program Status Checklist, November 2018

University Name: Florida Poly **Prepared by: David Blanton**

Instructions: For the four area tables below, please complete the Description and Progress Indicator columns for each Regulation Component, which align with Board of Governors Regulation 4.003 (effective November 3, 2016). Then complete the Program Status Summary table immediately below. Please use the "description" column to explain any elements not completed and provide the anticipated completion date. Regulation component A3 is not required until November 2021. If your university has begun or completed this component, please provide us with a description of the review process.

Return completed checklists by **Friday, November 30, 2018** to BOGInspectorGeneral@flbog.edu.

For assistance, please contact the Board of Governors Office of Inspector General and Director of Compliance at julie.leftheris@flbog.edu or 850-245-9247.

Program Status Summary (November 2018)							
		Completed	In Process			Not Begun
Area	Regulation Components	✓	Good Progress ●	Slow Progress ●	Poor Progress ●	N/B
A – University-wide Compliance Program	5	4	0	0	0	1
B – Program Plan	5	5	0	0	0	0
C – BOT Committee	4	4	0	0	0	0
D – Chief Compliance Officer	5	5	0	0	0	0
TOTAL	19	18	0	0	0	1

Legend:

✓ Indicates that the university president and board chair assert that the regulation components making up this area are fully implemented in accordance with Board of Governors Regulation 4.003.

● Indicates that the university president and board chair anticipate regulation components making up this area to be completed by November 3, 2017.

● Indicates that the university president and board chair anticipate regulation components making up this area to be completed by November 3, 2018 (completion of items beyond this date constitute non-compliance with Board of Governors Regulation 4.003).

● Indicates that the university president and board chair anticipate regulation components making up this area to be completed by May 3, 2019 (six months beyond the period established in Board of Governors Regulation 4.003).

N/B Indicates that the university president and board chair acknowledge that the university has not begun implementing the regulation components making up this area. The "N/B" indicator should be used in conjunction with one of the green/amber/red light indicators to communicate anticipated completion periods for items not yet begun.

Area A – University-wide Compliance Program		
Regulation Component	Description	Progress Indicator
A1 – University-wide Compliance Program implemented consistent with Code of Ethics for Public Officers and Employees (Part III, Chapter 112, F.S.) and the Federal Sentencing Guidelines Manual, Chapter 8, Part B [4.003(1) & (2)(b)]	**November 2018:** Florida Poly has set forth a plan to provide for the required University-wide Compliance Program consistent with the Code of Ethics for Public Officers and Employees and pertinent parts of the Federal Sentencing Guidelines. The initial Compliance and Ethics Program Plan was approved by the Florida Poly BOT on May 22, 2018, and was previously provided to the BOG.	✓
A2 – CCO reports to the BOT at least annually on Program effectiveness (copy to BOG) [4.003(7)(g) 8.]	**November 2018:** An internal assessment of initial program effectiveness was made by the CCO and presented to the BOT at the May 22, 2018 meeting. The CCO also reported to the BOT in September 2018 on the Program. (See 2017-18 Annual Report for Audit and Compliance submitted through CAERS).	✓
A3 – External Program design and effectiveness review every 5-years (copy to BOG) [4.003(7)(c)]	**November 2018:** Until the Compliance Program has operated for a sufficient amount of time (initial Plan adopted 5/22/18), it would not be feasible to conduct an external effectiveness review. BOG Regulation 4.003 requires an external evaluation by November 3, 2021. Additionally, the SUS Compliance & Ethics Consortium is currently considering criteria for evaluation of various Programs within the SUS. It is expected that an internal evaluation will be conducted once the Consortium finalizes such criteria.	N/B
A4 – Process established for detecting and preventing non-compliance, unethical behavior, or criminal conduct [4.003(7)(h)]	**November 2018:** The BOT-approved Compliance and Ethics Program Plan details various processes employed to detect and prevent noncompliance, unethical behavior, and criminal conduct. Specifically, such processes include specific target areas for compliance evaluation, training, coordination with other university compliance partners, and a hotline established for reporting alleged or known instances of improper conduct.	✓
A5 – Due diligence steps for not including individuals who have engaged in conduct not consistent with an effective Program [4.003(8)]	**November 2018:** Currently, the following University Regulations provide a framework for ensuring individuals that engage in inappropriate conduct are not included within university operations: • FPU-6.011, Criminal Background Checks, requires background screenings of all prospective employees. Additionally, per the Regulation, the University may take negative employment action based solely on an individual's conviction record if	✓

November 2018

	the specific offense demonstrates unfitness for performing in the position and relates to the job. • FPU-6.002, Personnel Code of Conduct and Ethics, provides that University personnel who are determined by the University to have violated the Code are subject to disciplinary action. Disciplinary actions may include penalties such as: dismissal, suspension, demotion, reduction in salary, forfeiture of salary, restitution, public censure, and/or reprimand; other disciplinary actions as may be deemed appropriate by the University President/designee; and/or as specified by law or regulation.	

Area B – Program Plan		
Regulation Component	Description	Progress Indicator
B1 – Compliance and Ethics Program Plan approved by BOT (copy to BOG) [4.003(7)(a)]	**November 2018:** The initial Compliance and Ethics Program Plan was approved by the Florida Poly AACC and BOT on May 22, 2018 and was previously provided to the BOG.	✓
B2 – Plan provides for compliance training for university employees and BOT members [4.003(7)(b)]	**November 2018:** The initial Compliance and Ethics Program Plan, approved by the Florida Poly AACC and BOT on May 22, 2018, provides for compliance and ethics training for both university employees and BOT members. On May 22, 2018, the CCO conducted a training session for the BOT related to compliance/ethics and the BOT requested that such training be provided to the BOT annually at the May BOT retreat. In addition, Compliance & Ethics Training was provided by the CCO to University management recently in September and October 2018.	✓
B3 – Designated compliance officers (e.g., Title IX, Athletics, Research, etc.) as either direct reports or dotted-line reports (specify which) [4.003(7)(d)]	**November 2018:** The CCO maintains open lines of communication and meets periodically with both the Title IX Coordinator and the Director of Sponsored Programs and has enlisted their assistance in partnering with the CCO as compliance partners. (Although not formalized, a dotted line report is established for both). The University currently has no Athletics.	✓
B4 – Reporting mechanism (e.g., Hotline) for potential/actual violations and provides protection for reporting individuals from retaliation [4.003(7)(e) & (f)]	**November 2018:** On December 18, 2017, the "Compliance and Ethics Hotline" was established to report suspected or actual instances of noncompliance, fraud, waste, or abuse directly to the CCO as outlined below: 1. An on-line reporting form. 2. Telephone 3. Fax	✓

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November 2018

	4. Direct mail to P.O. Box. (for anonymous reports) These mechanisms are publicized on the University website which also has direct links to all University Regulations and Policies that effectively communicate management's commitment to prevent and detect criminal conduct. In addition, the Compliance and Ethics Hotline information is posted on the intranet, which is accessible to all employees and was recently highlighted in training conducted by the CCO.	
B5 - Promoting and enforcing the Program through incentives and disciplinary measures [4.003(7)(g)9.]	**November 2018:** Incentives: The current "Performance Review Form", used for evaluations and tied to merit/promotional increases, utilizes the following criterion for evaluation: (one of seven criteria applied) • **Has integrity and follows regulations and policies.** Disciplinary measures: As noted above for A5, Regulation FPU-6.002, Personnel Code of Conduct and Ethics, University personnel who are determined to have violated the Code of Ethics are subject to disciplinary action. Disciplinary actions may include penalties such as: dismissal, suspension, demotion, reduction in salary, forfeiture of salary, restitution, public censure, and/or reprimand; other disciplinary actions as may be deemed appropriate.	✓

Area C – BOT Committee		
Regulation Component	Description	Progress Indicator
C1 - BOT Committee provides oversight to Compliance and Ethics Program [4.003(3)]	**November 2018:** BOT oversight responsibilities of the Compliance and Ethics Program are detailed within the Audit and Compliance Committee (AACC) Charter's purpose and responsibilities. On May 22, 2018, the CCO provided an update to the AACC on the status of the Program and the BOT approved the Compliance & Ethics Program Plan. In September 2018, the CCO reported on the annual activities of the Program to the AACC. (See Annual Report in CAERS). Monthly, the CCO prepares a written summary of reported "Allegations and Related Dispositions" and provides it to AACC members for oversight in the fulfillment of their charged responsibilities over the Program.	✓

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November 2018

C2 - BOT Audit and Compliance Committee Charter [4.003(3)]	**November 2018:** The AACC Charter was adopted March 15, 2017, and has been provided to the Board of Governors Office of Inspector General. The AACC Charter was reviewed and presented to AACC members by the CCO in September 2018 since BOT Committee assignments recently changed in August 2018.	✓
C3 - Routine CCO meetings with BOT Committee – please describe the nature and frequency of meetings (e.g., semi-annually, quarterly, monthly, etc.) [4.003(7)(a) & 7(g)(3)]	**November 2018:** The CCO routinely meets with the AACC (quarterly) and reports functionally to the AACC should they have any concerns in the interim. The CCO also meets with the Chair of the AACC periodically (in briefings prior to each regularly scheduled AACC meeting).	✓
C4 - Routine CCO meetings with President – please describe nature and frequency of meetings (e.g., semi-annually, quarterly, monthly, etc.) or whether the CCO participates in other regularly held direct reports or leadership meetings [4.003(7)(a) & 7(g)(3)]	**November 2018:** The CCO routinely meets with the President (monthly at minimum – but can schedule at meeting at any time if necessary). Additionally, the CCO is invited to attend all operations meetings with the President and senior University staff. (typically monthly - but currently more frequently given efforts at deploying a new strategic plan).	✓

Area D - Chief Compliance Officer		
Regulation Component	Description	Progress Indicator
D1 - Appointed Chief Compliance Officer (CCO) [4.003(4)]	**November 2018:** The University appointed it's first-ever CCO on July 31, 2017.	✓
D2 - CCO reports functionally to the Board and administratively to the President [4.003(5)]	**November 2018:** As evidenced by the University Compliance Charter, the CCO reports functionally to the AACC (BOT) and administratively to the President. The President has recognized this reporting structure and does not attempt to influence the compliance function. The previously provided job description serves as documentation demonstrating the supervisor of record is the President (administratively) and the Board (functionally).	✓

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		November 2018
D3 - Compliance Office Charter [4.003(6)]	**November 2018:** The University Compliance Charter has been provided to the Board of Governors Office of Inspector General and Director of Compliance via CAERS.	✓
D4 - CCO independence, objectivity, and access, (provide details of resolution of barriers [4.003(7)(g)5 & (7)(g)7]	**November 2018:** As noted in D2 above, the CCO reports functionally to the Board. This reporting structure is outlined in the Charter for University Compliance in order to ensure the proper independence and objectivity of the CCO. Currently, there are no impairments to the CCO's independence or barriers to the CCO's access. The CCO is committed to operating in an objective manner.	✓
D5- CCO authority and resources (provide details of both staffing and budget) [4.003(7)(g)(2)]	**November 2018:** Given the relative size of Florida Poly to other SUS institutions, the CAE also serves as the CCO at Florida Poly. (Total staff of one) The CCO has been afforded sufficient budgetary authority to administer the Compliance Program. (Total budget for Audit & Compliance in 2018-19 is $159,786, which includes $10,000 for training and resources other than salary/benefits).	✓

I certify that all information provided is true and correct to the best of my knowledge.

Certification: ______________________ Date 12/5/18
President

I certify that all information provided is true and correct to the best of my knowledge.

Certification: ______________________ Date Dec. 5, 2018
Board of Trustees Chair

Exhibit B

Proposed Compliance & Ethics Program Plan Budgeted Hours 2019-20 Fiscal Year			
	Focus Area	**Planned Hours**	**Notes**
1	Environmental Health & Safety	60	
2	Contract Management	60	
3	Background Screenings	40	
4	Training & Communications	40	
5	Assessments of Program	120	
6	General Compliance Program/Investigations	280	a
	Total Estimated	600	
a	Includes an estimate of 200 hours for monitoring of hotline and investigations; however actual hours in this area could increase or be less, depending on reported hotline allegations and/or investigative reports released by University Compliance.		

Exhibit C

2019-20 Compliance & Ethics Program Plan Approval

The Following signatures document approval of the Compliance & Ethics Program Plan for the 2019-20 fiscal year. This Plan was presented to the Audit & Compliance Committee on May 21, 2019 and to the full Board on May 22, 2019.

____ __________________

Dr. Randy Avent, President Date

____ __________________

Gary Wendt, Chair – Audit & Compliance Committee Date

AGENDA ITEM: VIII.

Florida Polytechnic University
Audit and Compliance Committee
Board of Trustees
May 22, 2019

Subject: University Financial Audit – Fiscal Year Ended 6/30/18

Proposed Committee Action

Recommend approval of the Florida Polytechnic University Financial audit conducted by the Florida Auditor General for the fiscal year ended June 30, 2018 to the Board of Trustees.

Background Information

In accordance with Section 11.45, Florida Statutes, a financial audit was performed on the University's basic financial statements for the fiscal year ended June 30, 2018 by the Florida Auditor General. David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will present the results of the financial audit to the Committee for their consideration and approval.

Supporting Documentation: Florida Polytechnic University Financial audit report for the fiscal year ended June 30, 2018. (Auditor General Report No. 2019-171)

Prepared by: David A. Blanton, CAE/CCO

FLORIDA POLYTECHNIC UNIVERSITY

University and Foundation Financial Audits June 30, 2018

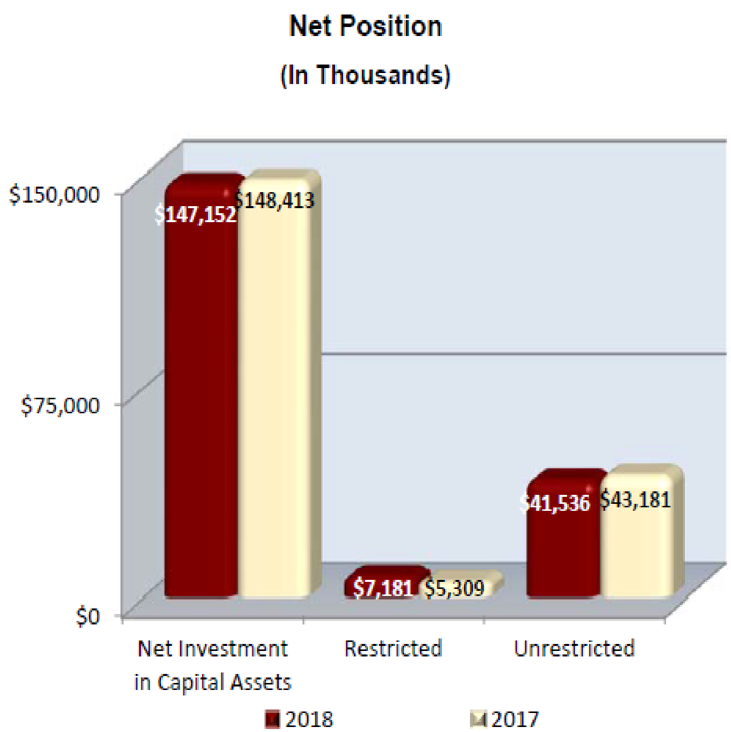
David A. Blanton

May 22, 2019

University Financial Audit

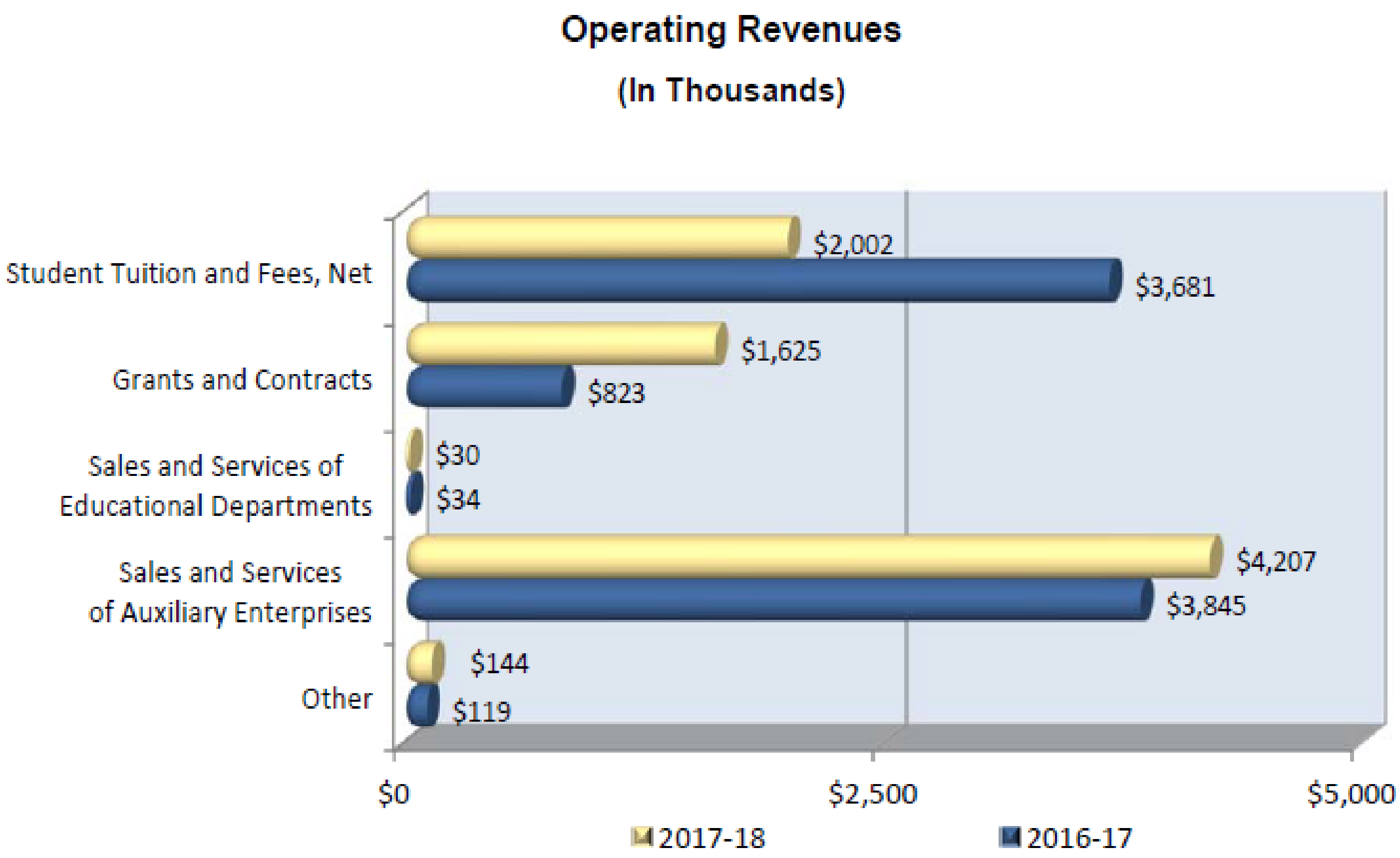
- **Fiscal year ended June 30, 2018**
- **Unqualified opinion**
- **No deficiencies in internal control or noncompliance cited**

University Net Position Changes



- **Net investment in capital assets (slight increase)**
- **Restricted net position increased ($1.9M)**
- **Unrestricted net position increased ($1.8M)**

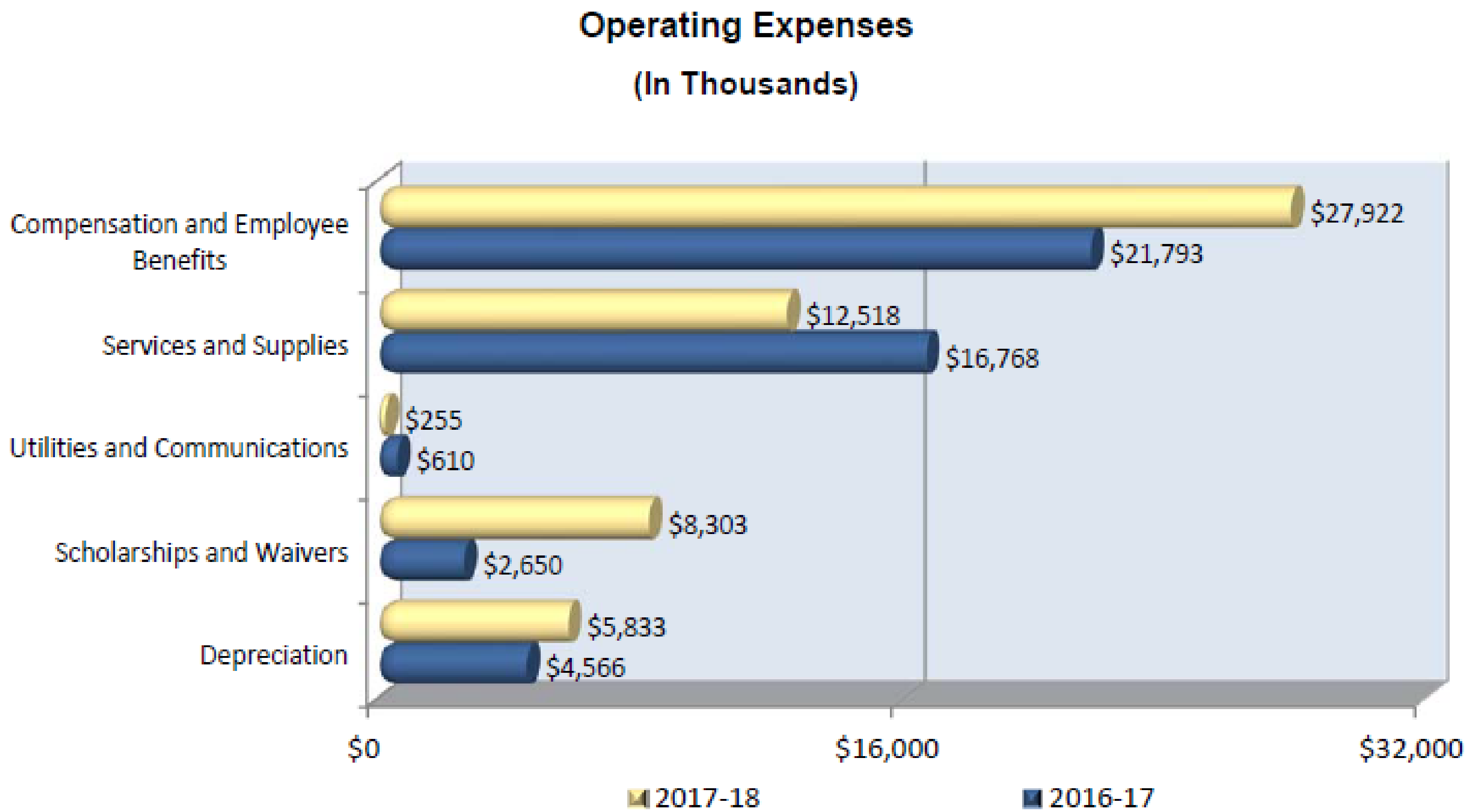
Operating Revenues



Significant Variances – Operating Revenues

- Decrease in student tuition & fees: increase in scholarship allowances (waivers)
- Increase in auxiliary: increased commission sales in food revenues

Operating Expenses



Significant Variances – Operating Expenses

- Increase in compensation & benefits: staffing increases
- Increase in scholarships and waivers: scholarships awarded
- Decrease in services and supplies: completion of Workday

Non-operating Revenues & Expenses

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
State Noncapital Appropriations	$ 38,456	$ 36,735
Federal and State Student Financial Aid	7,782	2,972
Investment Income	768	699
Other Nonoperating Revenues	386	101
Unrealized Loss on Investments	(282)	(378)
Loss on Disposal of Capital Assets	(427)	(12)
Interest on Capital Asset-Related Debt	(98)	(53)
Other Nonoperating Expenses	(34)	-
Net Nonoperating Revenues	$ 46,551	$ 40,064

Net nonoperating revenues increased $6.5 million primarily due to increased State noncapital appropriations, and Federal and State Student Financial Aid obtained as a result of the University's accreditation.

Audit Report Approval

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-171
March 2019

FLORIDA POLYTECHNIC UNIVERSITY

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

ACTION: Recommend approval of the audited financial statements of the University for the fiscal year ended 6/30/18 to the Board.

Foundation Financial Audit

- Fiscal year ended June 30, 2018
- Unqualified opinion
- No deficiencies in internal control or noncompliance cited
- Federal Form 990 filed for 6/30/18

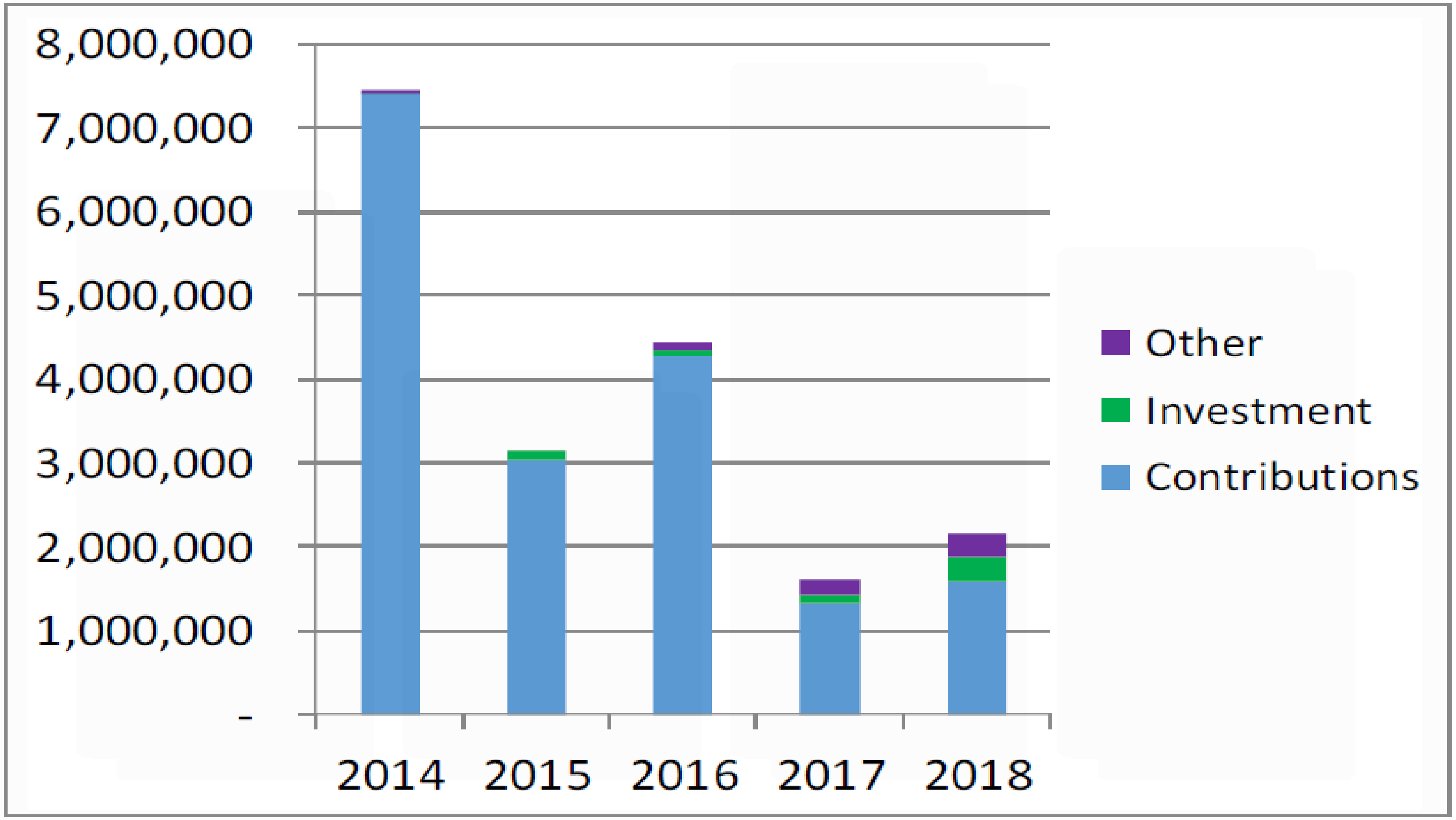
Reporting Framework

- **6/30/18=Financial Accounting Standards Board (FASB)**
- **6/30/19=Governmental Accounting Standards Board (GASB)**
- **Differences between FASB/GASB:**
  - Revenue recognition
  - Presentation
  - Disclosure

Foundation Financial Highlights

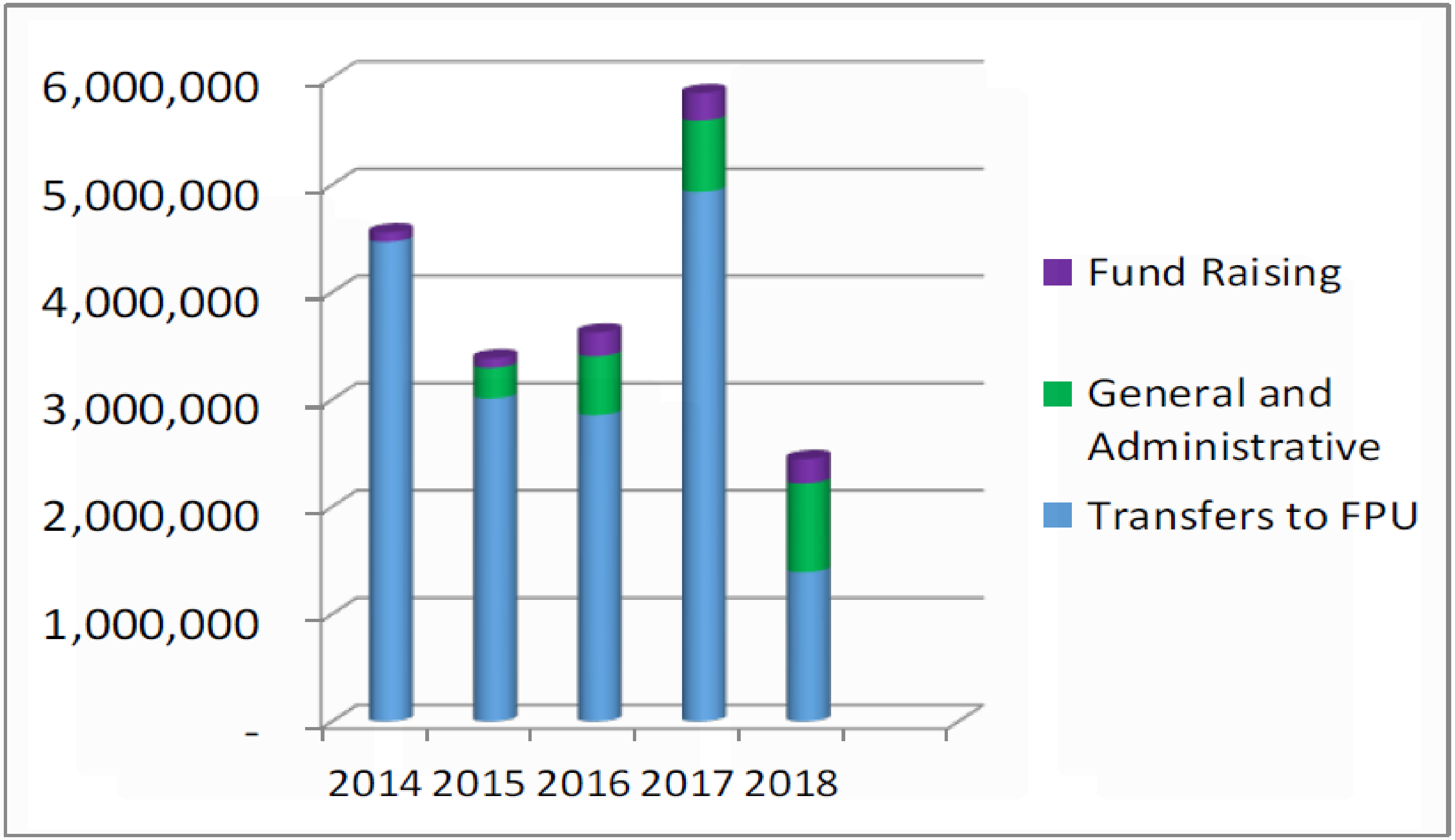
- Unmodified audit opinion
- $2.4 million in expenses for 2018
- $1.6 million in new contributions

Revenue: Prior Years Comparison



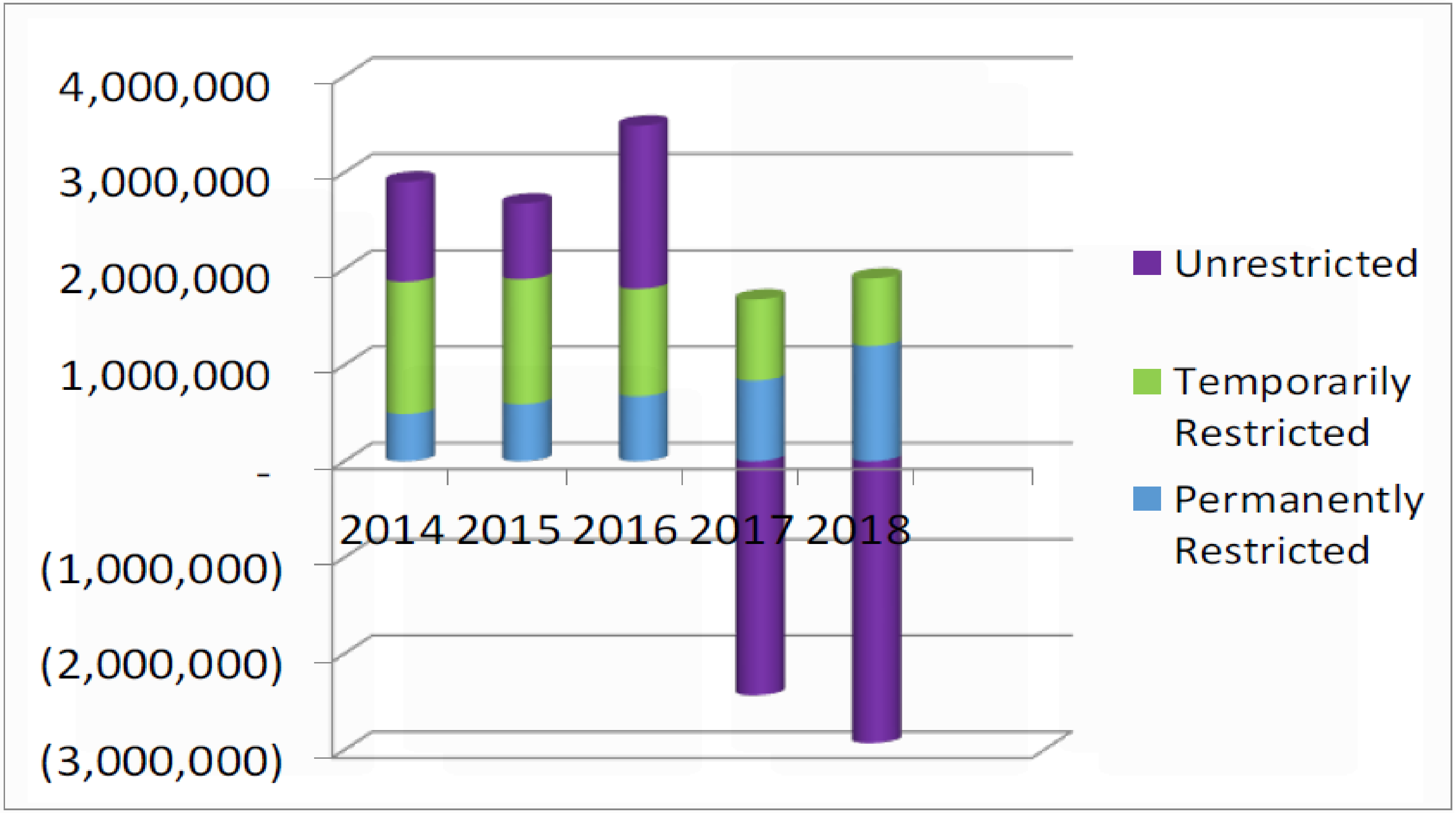
Source: CliftonLarsonAllen, CPA's

Expenses: Prior Years Comparison



Source: CliftonLarsonAllen, CPA's

Net Assets: Prior Years Comparison

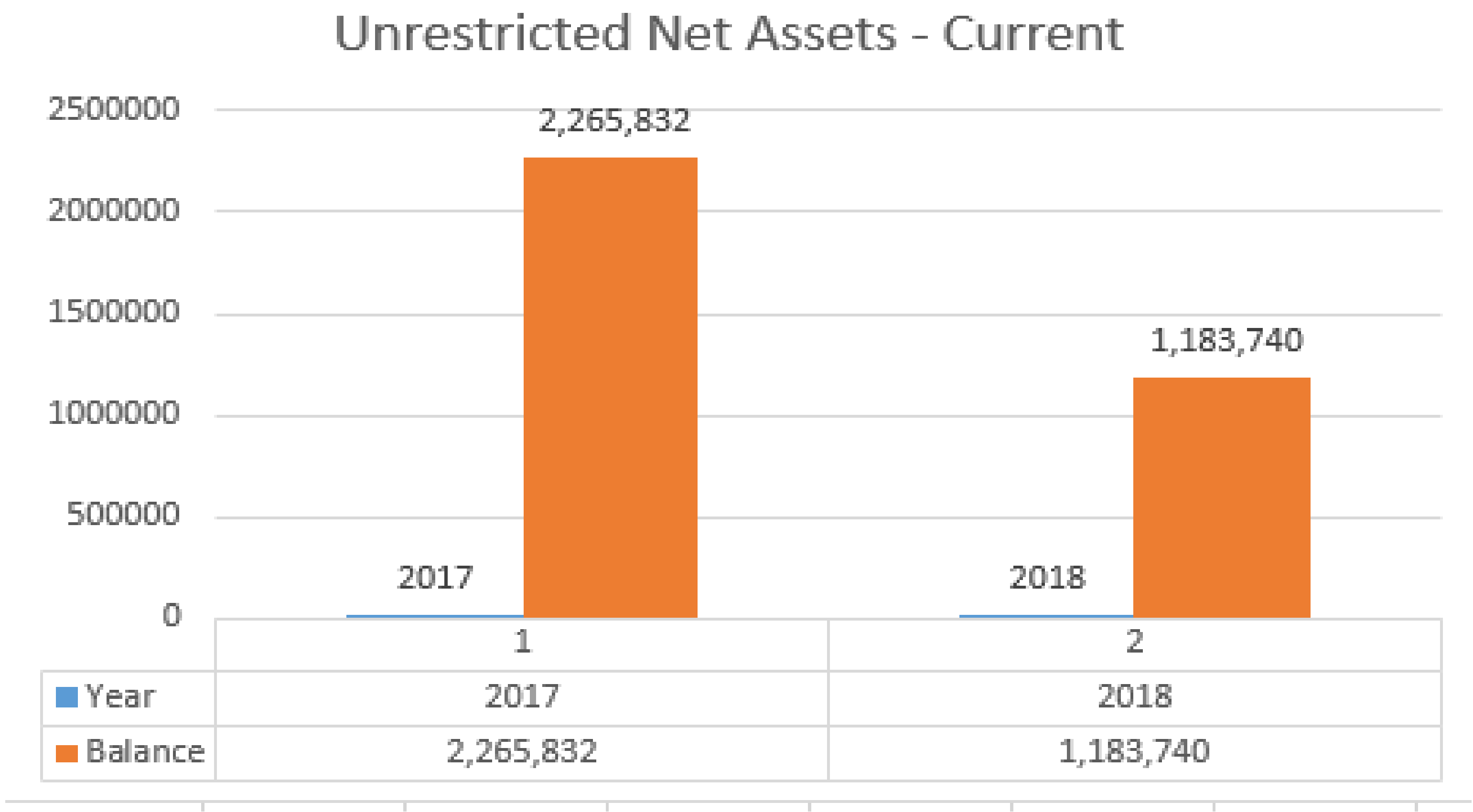


Source: CliftonLarsonAllen, CPA's

Net Assets – 6/30/18

ASSETS		
Total Assets		**7,091,332**
LIABILITIES		
Current Liabilities	4,008,682	
L/T Liabilities	4,110,797	
Toal Liabilities		**8,119,479**
NET ASSETS		
Unrestricted, Undesignated	(2,927,057)	
Temporarily Restricted	700,063	
Permanently Restricted	1,198,847	
Total Net Assets		**(1,028,147)**
Total Liabilities and Net Assets		**7,091,332**

Unrestricted, Undesignated Net Assets – Current*



*Source= Audited balances less long-term obligations

Significant Disclosure – Scholarship Pledge

NOTE 6 SCHOLARSHIP PLEDGES AND OTHER LONG-TERM LIABILITY

The Foundation has pledged to fund certain scholarships and other expenses for the University. At June 30, 2018, the amounts outstanding pledged for scholarships for the fiscal year ended June 30, 2017 is $1,040,000 and the outstanding amounts pledged for scholarships for the year ended June 30, 2018 is $4,115,310. The Board has agreed to pay the amounts relating to scholarships in equal installments over ten years bearing no interest. Below is a summary of amounts to be paid to the University:

Year Ending June 30,		Amount
2019	$	1,250,926
2020		587,257
2021		587,257
2022		587,257
2023		587,257
Thereafter		1,761,769
Total	$	5,361,723

Reconciliation to the Statement of Financial Position		
Scholarship Pledges - Short-Term	$	1,250,926
Scholarship Pledges - Long-Term		3,904,384
Other Long-Term Liability		206,413
Total	$	5,361,723

FLORIDAPOLY

Audit Report Approval

FOUNDATION

FLORIDA POLYTECHNIC UNIVERSITY

ACTION: Recommend approval of the audited financial statements of the Foundation for the fiscal year ended 6/30/18 to the Board.

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-171
March 2019

FLORIDA POLYTECHNIC UNIVERSITY

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2017-18 fiscal year, Dr. Randy K. Avent served as President of Florida Polytechnic University and the following individuals served as Members of the Board of Trustees:

[a] Faculty Senate Chair.
[b] Trustee position vacant 1-10-18, through 3-28-18.
[c] Student Body President.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit was supervised by Mark A. Arroyo, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

FLORIDA POLYTECHNIC UNIVERSITY

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Florida Polytechnic University (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether Florida Polytechnic University and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2018. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Polytechnic University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University'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 did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Polytechnic University and of its discretely presented component unit as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, 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 March 21, 2019, on our consideration of the Florida Polytechnic University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The 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 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 Florida Polytechnic University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2018, and June 30, 2017.

FINANCIAL HIGHLIGHTS

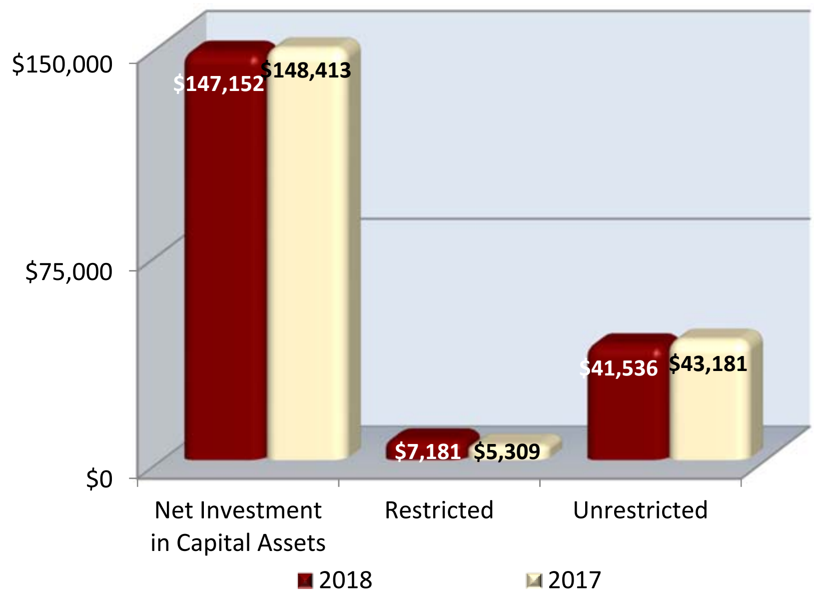
The University's assets and deferred outflows of resources totaled $218.1 million at June 30, 2018. This balance reflects a $1.3 million, or 0.6 percent, decrease as compared to the 2016-17 fiscal year, resulting from reductions to accounts receivable and investments. Liabilities and deferred inflows of resources also decreased by $231 thousand, or 1 percent, totaling $22.3 million at June 30, 2018, resulting from decreases to due to component unit and installment purchases payable. As a result, the University's net position decreased by $1 million, resulting in a year-end balance of $195.9 million.

The University's operating revenues totaled $8 million for the 2017-18 fiscal year, representing a 5.8 percent decrease compared to the 2016-17 fiscal year due mainly to an increase in scholarship allowances offset by an increase in auxiliary revenues. Operating expenses totaled $54.8 million for the 2017-18 fiscal year, representing an increase of 18.2 percent as compared to the 2016-17 fiscal year mainly due to increases in salary and benefits and scholarships awarded.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the following graph:

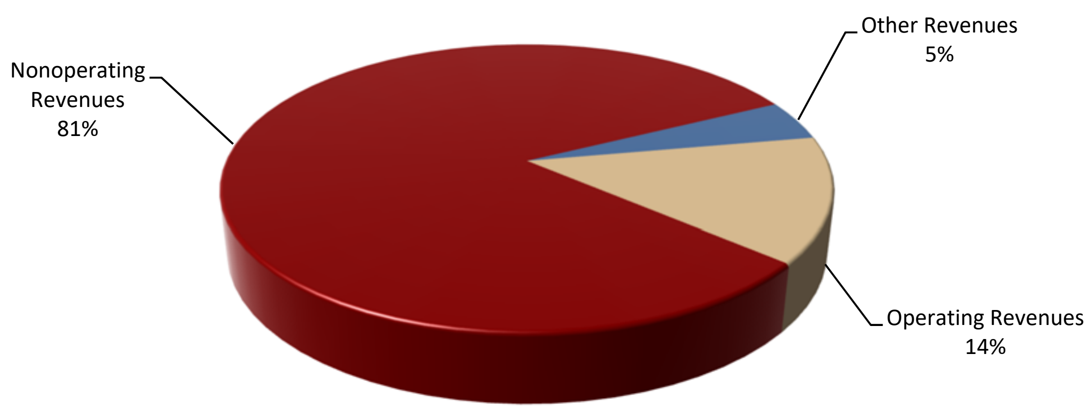
Net Position

(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2017-18 fiscal year:

Total Revenues
2017-18 Fiscal Year



Overview of Financial Statements

Pursuant to GASB Statement No. 35, the University's financial report consists of 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. The financial statements, and notes thereto, encompass the University and its component unit. Based on the application of the criteria for determining component units, the Florida Polytechnic University Foundation, Inc., is included within the University reporting entity as a discretely presented component unit.

Information regarding the component unit's separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component unit.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2018	2017
Assets		
Current Assets	$ 34,765	$ 50,069
Capital Assets, Net	148,763	150,917
Other Noncurrent Assets	24,848	11,063
Total Assets	208,376	212,049
Deferred Outflows of Resources	9,751	7,343
Liabilities		
Current Liabilities	3,419	10,581
Noncurrent Liabilities	17,685	11,848
Total Liabilities	21,104	22,429
Deferred Inflows of Resources	1,154	60
Net Position		
Net Investment in Capital Assets	147,152	148,413
Restricted	7,181	5,309
Unrestricted	41,536	43,181
Total Net Position	$ 195,869	$ 196,903

Assets decreased $3.7 million primarily due to a decrease in amounts due from component unit for scholarship pledges and a decrease in investments related to the disbursement of Foundation investments back to the Foundation.

Deferred outflows of resources increased $2.4 million primarily as a result of changes in assumptions for pensions.

Deferred inflows of resources increased $1.1 million as a result of changes in assumptions for pensions and implementation of GASB Statement No. 75.

The Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2017-18 and 2016-17 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
Operating Revenues	$ 8,008	$ 8,502
Less, Operating Expenses	54,831	46,387
Operating Loss	(46,823)	(37,885)
Net Nonoperating Revenues	46,551	40,064
Income (Loss) Before Other Revenues	(272)	2,179
Other Revenues	2,589	6,883
Net Increase In Net Position	2,317	9,062
Net Position, Beginning of Year	196,903	187,841
Adjustment to Beginning Net Position (1)	(3,351)	-
Net Position, Beginning of Year, as Restated	193,552	187,841
Net Position, End of Year	$ 195,869	$ 196,903

(1) For the 2017-18 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 75.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2017-18 and 2016-17 fiscal years:

Operating Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
Student Tuition and Fees, Net	$ 2,002	$ 3,681
Grants and Contracts	1,625	823
Sales and Services of Educational Departments	30	34
Sales and Services of Auxiliary Enterprises	4,207	3,845
Other	144	119
Total Operating Revenues	$ 8,008	$ 8,502

The following chart presents the University's operating revenues for the 2017-18 and 2016-17 fiscal years:

Operating Revenues

(In Thousands)

University operating revenue changes were the result of the following factors:

- Decrease of student tuition and fees were the result of the offset caused by the increase of scholarship allowances.
- Increase in sales and services of auxiliary enterprises are due to increased food and beverage revenues.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes operating expenses by natural classification for the 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

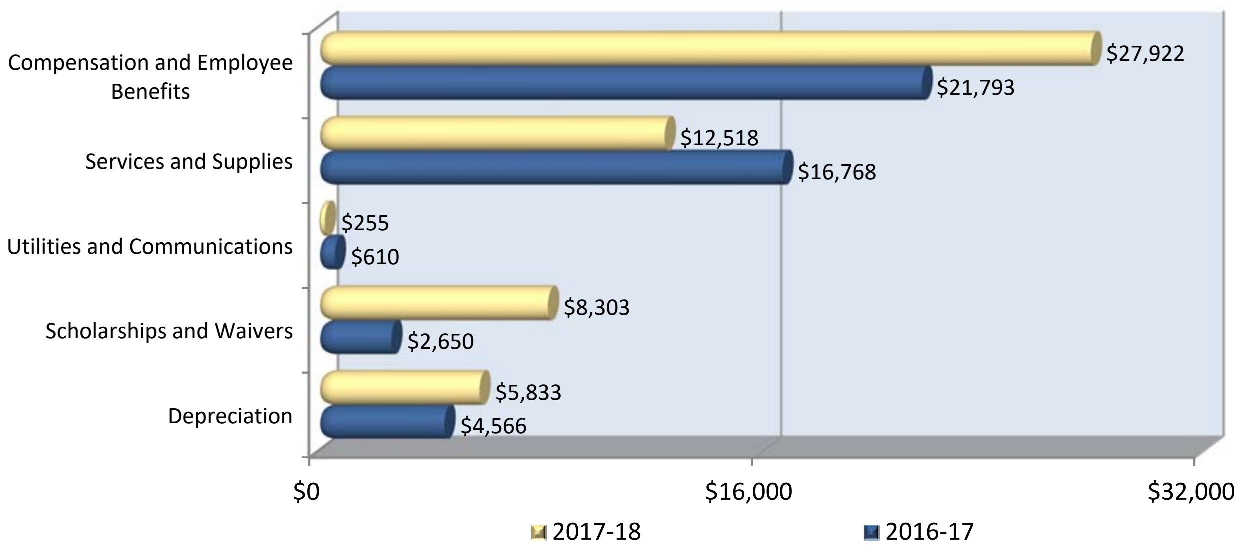
(In Thousands)

	2017-18	2016-17
Compensation and Employee Benefits	$ 27,922	$ 21,793
Services and Supplies	12,518	16,768
Utilities and Communications	255	610
Scholarships and Waivers	8,303	2,650
Depreciation	5,833	4,566
Total Operating Expenses	$ 54,831	$ 46,387

The following chart presents the University's operating expenses for the 2017-18 and 2016-17 fiscal years:

Operating Expenses

(In Thousands)



Changes in operating expenses were the result of the following factors:

- Increase in compensation and benefits due to increased staffing levels.
- Increase in scholarships and waivers due to increased amount of scholarships awarded.
- Decrease in services and supplies primarily due to reduction of contracted services related to the completion of Workday Finance and Human Capital Management modules and, as a result, reduced payments for shared services.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Noncapital Appropriations	$ 38,456	$ 36,735
Federal and State Student Financial Aid	7,782	2,972
Investment Income	768	699
Other Nonoperating Revenues	386	101
Unrealized Loss on Investments	(282)	(378)
Loss on Disposal of Capital Assets	(427)	(12)
Interest on Capital Asset-Related Debt	(98)	(53)
Other Nonoperating Expenses	(34)	-
Net Nonoperating Revenues	$ 46,551	$ 40,064

Net nonoperating revenues increased $6.5 million primarily due to increased State noncapital appropriations, and Federal and State Student Financial Aid obtained as a result of the University's accreditation.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2017-18 and 2016-17 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Capital Appropriations	$ 2,185	$ 5,083
Capital Grants, Contracts, Donations, and Fees	404	1,800
Total	$ 2,589	$ 6,883

Other revenues decreased due to the Public Education Capital Outlay (PECO) appropriations for the Applied Research Center and capital contributions from housing and food service providers being less than the previous year.

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the

University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
Cash Provided (Used) by:		
Operating Activities	$ (38,965)	$ (38,522)
Noncapital Financing Activities	40,218	41,305
Capital and Related Financing Activities	(4,968)	(3,063)
Investing Activities	4,007	(942)
Net Increase (Decrease) in Cash and Cash Equivalents	292	(1,222)
Cash and Cash Equivalents, Beginning of Year	200	1,422
Cash and Cash Equivalents, End of Year	$ 492	$ 200

Major sources of funds came from State noncapital appropriations ($38.5 million), Federal and State financial aid ($7.8 million), sales and services of auxiliary enterprises ($4.2 million), net student tuition and fees ($1.9 million). Major uses of funds were for payments made to and on behalf of employees ($25.2 million); payments to suppliers ($13.9 million); payments to and on behalf of students for scholarships ($7.8 million), and disbursements of funds held for others ($6.4 million). Changes in cash and cash equivalents were the result of decreased payments to suppliers and increased amounts received for Federal and State financial aid as well as noncapital appropriations.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the University had $168.2 million in capital assets, less accumulated depreciation of $19.4 million, for net capital assets of $148.8 million. Depreciation charges for the current fiscal year totaled $5.8 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2018	2017
Land	$ 18,156	$ 18,156
Construction in Progress	590	6,112
Buildings	88,796	83,894
Infrastructure and Other Improvements	34,372	33,834
Furniture and Equipment	4,422	5,615
Library Resources	2	5
Other Capital Assets	2,425	3,301
Capital Assets, Net	$148,763	$150,917

Additional information about the University's capital assets is presented in the notes to financial statements.

Capital Expenses and Commitments

Major capital expenses through June 30, 2018, were incurred on the following projects: Applied Research Center and Wellness Center Remodel. The University's construction commitments at June 30, 2018, are as follows:

	Amount (In Thousands)
Total Committed	$ 3,509
Completed to Date	(590)
Balance Committed	$ 2,919

Additional information about the University's construction commitments is presented in the notes to financial statements.

Debt Administration

As of June 30, 2018, the University had $1.6 million in outstanding installment purchases payable and capital lease payable representing a decrease of $928 thousand, or 37 percent, from the prior fiscal year. This reduction was a result of making scheduled debt payments. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2018	2017
Installment Purchases	$ 1,509	$ 2,504
Capital Lease	67	-
Total	$ 1,576	$ 2,504

Additional information about the University's long-term debt is presented in the notes to financial statements.

Economic Factors That Will Affect the Future

The University's economic condition is closely tied to that of the State of Florida. The budget that the Florida Legislature adopted for the 2018-19 fiscal year provided a 4.6 percent increase for the State University System. The University's budget increased 2.1 percent over the same period. The University expects revenues to remain consistent in the upcoming year.

Requests for Information

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Mark Mroczkowski, Vice President/Chief Financial Officer, Florida Polytechnic University, 4700 Research Way, Lakeland, Florida 33805-8531.

FLORIDA POLYTECHNIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 491,577	$ 503,197
Investments	24,666,326	920,540
Accounts Receivable, Net	638,549	9,342
Contribution Receivables, Net	-	491,700
Due from State	7,266,858	-
Due from Component Unit	1,250,926	-
Other Current Assets	450,760	10,596
Total Current Assets	34,764,996	1,935,375
Noncurrent Assets:		
Contribution Receivables, Net	-	345,936
Restricted Investments	20,736,795	4,810,021
Due from Component Unit	4,110,797	-
Depreciable Capital Assets, Net	130,016,424	-
Nondepreciable Capital Assets	18,746,428	-
Total Noncurrent Assets	173,610,444	5,155,957
Total Assets	208,375,440	7,091,332
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	531,000	-
Pensions	9,219,838	-
Total Deferred Outflows of Resources	9,750,838	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	777,662	5,989
Construction Contracts Payable	34,362	-
Salary and Wages Payable	904,088	-
Deposits Payable	32,815	-
Due to University	-	1,250,926
Unearned Revenue	201,139	-
Other Current Liabilities	-	2,751,767
Long-Term Liabilities - Current Portion:		
Installment Purchases Payable	1,016,021	-
Capital Lease Payable	13,619	-
Compensated Absences Payable	142,489	-
Other Postemployment Benefits Payable	15,000	-
Net Pension Liability	281,848	-
Total Current Liabilities	3,419,043	4,008,682

FLORIDA POLYTECHNIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	University	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Installment Purchases Payable	492,828	-
Capital Lease Payable	53,916	-
Compensated Absences Payable	1,282,430	-
Other Postemployment Benefits Payable	4,468,000	-
Due to University	-	4,110,797
Net Pension Liability	11,387,683	-
Total Noncurrent Liabilities	17,684,857	4,110,797
Total Liabilities	21,103,900	8,119,479
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	611,000	-
Pensions	542,577	-
Total Deferred Inflows of Resources	1,153,577	-
NET POSITION		
Net Investment in Capital Assets	147,152,106	-
Restricted for Nonexpendable:		
Endowment	-	1,202,642
Restricted for Expendable:		
Capital Projects	7,033,686	-
Grant and Programs	147,376	-
Other	-	696,268
Unrestricted	41,535,633	(2,927,057)
TOTAL NET POSITION	$ 195,868,801	$ (1,028,147)

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

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FLORIDA POLYTECHNIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

	University	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $5,531,295	$ 2,001,736	$ -
Federal Grants and Contracts	110,986	-
State and Local Grants and Contracts	661,394	-
Nongovernmental Grants and Contracts	852,361	-
Sales and Services of Educational Departments	30,364	-
Sales and Services of Auxiliary Enterprises	4,207,307	-
Other Operating Revenues	143,867	1,863,500
Total Operating Revenues	8,008,015	1,863,500
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	27,922,342	-
Services and Supplies	12,518,394	2,445,351
Utilities and Communications	254,495	-
Scholarships and Waivers	8,303,368	-
Depreciation	5,832,669	-
Total Operating Expenses	54,831,268	2,445,351
Operating Loss	(46,823,253)	(581,851)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	38,456,182	-
Federal and State Student Financial Aid	7,781,907	-
Investment Income	767,700	217,361
Other Nonoperating Revenues	385,911	-
Unrealized Gain (Loss) on Investments	(281,821)	88,404
Loss on Disposal of Capital Assets	(426,778)	-
Interest on Capital Asset-Related Debt	(98,082)	-
Other Nonoperating Expenses	(34,465)	-
Net Nonoperating Revenues	46,550,554	305,765
Loss Before Other Revenues	(272,699)	(276,086)
State Capital Appropriations	2,184,505	-
Capital Grants, Contracts, Donations, and Fees	404,761	-
Increase (Decrease) in Net Position	2,316,567	(276,086)
Net Position, Beginning of Year	196,903,234	(752,061)
Adjustment to Beginning Net Position	(3,351,000)	-
Net Position, Beginning of Year, as Restated	193,552,234	(752,061)
Net Position, End of Year	$ 195,868,801	$ (1,028,147)

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

FLORIDA POLYTECHNIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 1,856,290
Grants and Contracts	1,624,741
Sales and Services of Educational Departments	30,364
Sales and Services of Auxiliary Enterprises	4,207,307
Payments to Employees	(25,196,375)
Payments to Suppliers for Goods and Services	(13,872,351)
Payments to Students for Scholarships	(7,759,275)
Other Operating Receipts	143,867
Net Cash Used by Operating Activities	(38,965,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	38,456,182
Federal and State Student Financial Aid	7,781,907
Federal Direct Loan Program Receipts	1,877,742
Federal Direct Loan Program Disbursements	(1,877,742)
Net Change in Funds Held for Others	(6,371,714)
Other Nonoperating Receipts	351,446
Net Cash Provided by Noncapital Financing Activities	40,217,821
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants, Contracts, Donations and Fees	404,761
Purchase or Construction of Capital Assets	(4,271,584)
Principal Paid on Capital Debt and Leases	(1,002,958)
Interest Paid on Capital Debt and Leases	(98,082)
Net Cash Used by Capital and Related Financing Activities	(4,967,863)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	57,896,588
Purchases of Investments	(54,729,385)
Investment Income	839,961
Net Cash Provided by Investing Activities	4,007,164
Net Increase in Cash and Cash Equivalents	291,690
Cash and Cash Equivalents, Beginning of Year	199,887
Cash and Cash Equivalents, End of Year	$ 491,577

FLORIDA POLYTECHNIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (46,823,253)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,832,669
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	424,603
Due from Component Unit	544,093
Other Assets	(419,953)
Accounts Payable	(1,099,462)
Salaries and Wages Payable	461,183
Compensated Absences Payable	243,040
Unearned Revenue	(150,096)
Other Postemployment Benefits Payable	252,000
Net Pension Liability	3,084,139
Deferred Outflows of Resources Related to Other Postemployment Benefits	(531,000)
Deferred Inflows of Resources Related to Other Postemployment Benefits	611,000
Deferred Outflows of Resources Related to Pensions	(1,876,870)
Deferred Inflows of Resources Related to Pensions	482,475
NET CASH USED BY OPERATING ACTIVITIES	$ (38,965,432)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (281,821)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (426,778)
The University entered into a capital lease agreement, which was recognized on the statement of net position, but is not cash transactions for the statement of cash flows.	$ 75,082

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the Executive Officer and the Corporate Secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Florida Polytechnic University Foundation, Inc. (Foundation), a legally separate entity, is included within the University's reporting entity as a discretely presented component unit and is governed by a separate board. Florida Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. The Foundation solicits, collects, manages and directs contributions to various academic departments and programs of the University, and assists the University in fundraising, and public relations.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. Additional information on the University's discretely presented component unit, including copies of audit reports, is available by contacting the University Controller.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
    - Statement of Net Position
    - Statement of Revenues, Expenses, and Changes in Net Position
    - Statement of Cash Flows
    - Notes to Financial Statements
- Other Required Supplementary Information

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's discretely presented component unit uses the economic resources measurement focus and the accrual basis of accounting, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, using a ratio of total aid to aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property, $100,000 for infrastructure and other improvements, and $250,000 for building renovations except that all new buildings and projects adding new square footage are capitalized. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 15 years
- Library Resources – 10 years
- Other Capital Assets – 10 years

Noncurrent Liabilities. Noncurrent liabilities include installment purchases payable, capital lease payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Change

Governmental Accounting Standards Board Statement No. 75. The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than*

Pensions, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

3. Adjustment to Beginning Net Position

The beginning net position of the University was decreased by $3,351,000 due to the implementation of GASB Statement No. 75. The University's total OPEB Liability reported at June 30, 2017, increased by $3,351,000 to $4,231,000 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and the beginning balance for deferred outflows of resources and deferred inflows of resources were not restated.

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University 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. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the University's recurring fair value measurements as of June 30, 2018, are valued using quoted market prices (Level 1 inputs), with the exception of obligation of United States government agencies and instrumentalities, and corporate equity securities which are valued using a matrix pricing model (Level 2 inputs), and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2018, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	$ 35,486,849	$ -	$ -	$ 35,486,849
United States Treasury Securities	2,972,325	2,972,325	-	-
Obligations of United States Government				
Agencies and Instrumentalities	2,564,494	-	2,564,494	-
Corporate Equity Securities	3,522,167	-	3,522,167	-
Money Market Funds	857,286	857,286	-	-
Total investments by fair value level	$ 45,403,121	$ 3,829,611	$ 6,086,661	$ 35,486,849

External Investment Pools.

The University reported investments at fair value totaling $35,486,849 at June 30, 2018, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 3 years, and fair value factor of 0.9872 at June 30, 2018. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments.

The University's other investments consisted of various debt securities and money market fund totaling $9,916,272 at June 30, 2018. The following risks apply to those investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy generally requires that the investment portfolio be maintained in such a manner as to provide sufficient liquidity to pay obligations as they become due. Recognizing that market value volatility is a function of maturity, a segment of the portfolio shall be maintained in a short-term maturity portfolio. Funds in excess of those required to meet current expenses may be invested in longer-term portfolios. Investment maturities at June 30, 2018 were as follows:

Intestment Type	Fair Value	Investment Maturities (In Years) Less than 1	1-5	6-10
Obligations of United States Government				
Agencies and Instrumentalities	$ 2,564,494	$ 497,580	$ 2,066,914	$ -
United States Treasury Securities	2,972,325	497,424	2,099,552	375,349
Corporate Equity Securities	3,522,167	-	2,626,770	895,397
Money Market Funds	857,286	857,286	-	-
Total investments by fair value level	$ 9,916,272	$ 1,852,290	$ 6,793,236	$ 1,270,746

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. United States Treasury Securities or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2018, the University had $2,972,325 of these investments. The University's investment policy requires the portfolio provide specific types of investments that may be purchased, including credit quality guidelines, where applicable, maintain a total average quality minimum of BBB. The policy states that securities in the BBB rating category can make up no more than 25 percent of the portfolio. At June 30, 2018, the University had obligations of United States Government agencies and instrumentalities, and stock and other equity securities with quality ratings by nationally recognized rating agencies, as follows:

Investment Type	Fair Value	Credit Quality Rating (1) AA	A	BBB
Obligations of United States Government				
Agencies and Instrumentalities	$ 2,564,494	$ 2,266,874	$ 297,620	$ -
Corporate Equity Securities	3,522,167	584,673	1,644,170	1,293,324
Total investments by fair value level	$ 6,086,661	$ 2,851,547	$ 1,941,790	$ 1,293,324

(1) The credit quality ratings are from Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of the investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial credit risk relates to investment securities that are held by someone other than the entity and are not registered in the entities name. All University investments are held in safekeeping by a third-party custodian. There were no losses during the period due to default by counterparties to investment transactions.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University policy states that a maximum of 5 percent of the funds be invested in securities of a single issuer, except that obligations of the United States Government agencies and instrumentalities are not subject to the limitations.

Component Unit Investments.

The University discretely presented component unit's investments at June 30, 2018 are reported at fair value as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Account	$ 228,569	$ 228,569	$ -	$ -
Corporate and Foreign Bonds	488,773	488,773	-	-
U.S. Government Securities and Agency Obligations	95,091	95,091	-	-
U.S. Government Bonds	481,757	481,757	-	-
Mutual Funds:				
Bonds	715,134	715,134	-	-
Equity	3,721,237	3,721,237	-	-
Total investments by fair value level	$ 5,730,561	$ 5,730,561	$ -	$ -

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties. As of June 30, 2018, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 555,385
Sales and Services	45,517
Student Tuition and Fees, Net	37,647
Total Accounts Receivable, Net	$ 638,549

Allowance for Doubtful Receivables. Allowances for doubtful accounts is reported based on management’s best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of $38,690 at June 30, 2018.

No allowance has been accrued for contracts and grants receivable, and sales and services. University management considers these to be fully collectible.

6. Due From State

The amount due from State consists of $7,266,858 of Public Education Capital Outlay (PECO) due from the State to the University for construction of University facilities.

7. Due From Component Unit

The amount due from component unit primarily consists of pledged amounts owed to the University by the Foundation for scholarships and student aid. The Foundation has agreed to pay the amounts related to scholarships in equal installments over ten years bearing no interest.

Below is a summary of the amounts to be paid from the Foundation:

Fiscal Year Ending June 30	Amount
2019	$ 1,250,926
2020	587,257
2021	587,257
2022	587,257
2023	587,257
2024-2026	1,761,769
Total	$ 5,361,723

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 18,156,039	$ -	$ -	$ 18,156,039
Construction in Progress	6,112,363	4,279,407	9,801,381	590,389
Total Nondepreciable Capital Assets	$ 24,268,402	$ 4,279,407	$ 9,801,381	$ 18,746,428
Depreciable Capital Assets:				
Buildings	$ 89,682,597	$ 6,945,747	$ -	$ 96,628,344
Infrastructure and Other Improvements	38,646,105	2,389,442	-	41,035,547
Furniture and Equipment	7,479,905	291,802	-	7,771,707
Library Resources	16,358	-	-	16,358
Other Capital Assets	4,495,984	-	457,262	4,038,722
Total Depreciable Capital Assets	140,320,949	9,626,991	457,262	149,490,678
Less, Accumulated Depreciation:				
Buildings	5,788,735	2,043,357	-	7,832,092
Infrastructure and Other Improvements	4,811,589	1,851,996	-	6,663,585
Furniture and Equipment	1,864,525	1,485,191	-	3,349,716
Library Resources	11,822	2,527	-	14,349
Other Capital Assets	1,195,398	449,598	30,484	1,614,512
Total Accumulated Depreciation	13,672,069	5,832,669	30,484	19,474,254
Total Depreciable Capital Assets, Net	$ 126,648,880	$ 3,794,322	$ 426,778	$ 130,016,424

9. Unearned Revenue

Unearned revenue at June 30, 2018, student tuition and fees, and grant and contracts received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2018, the University reported the following amounts as unearned revenue:

Description		Amount
Student Tuition and Fees	$	192,582
Grants and Contracts		8,557
Total Unearned Revenue	$	201,139

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2018, include installment purchases payable, capital lease payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Installment Purchases Payable	$ 2,504,261	$ -	$ 995,412	$ 1,508,849	$ 1,016,021
Capital Lease Payable	-	75,082	7,547	67,535	13,619
Compensated Absences Payable	1,181,879	1,258,725	1,015,685	1,424,919	142,489
Other Postemployment Benefits Payable (1)	4,231,000	263,699	11,699	4,483,000	15,000
Net Pension Liability	8,585,391	10,969,686	7,885,546	11,669,531	281,848
Total Long-Term Liabilities	$ 16,502,531	$ 12,567,192	$ 9,915,889	$ 19,153,834	$ 1,468,977

(1) OPEB Payable beginning balance adjusted for adoption of GASB Statement No. 75, as described in Notes 2. and 3.

Installment Purchases Payable. The University has entered into several installment purchase agreements for the purchase of equipment reported at $4,858,735. The stated interest rates ranged from 1.21 percent to 4.75 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 1,042,267
2020	322,443
2021	181,811
Total Minimum Payments	1,546,521
Less, Amount Representing Interest	37,672
Present Value of Minimum Payments	$ 1,508,849

Capital Lease Payable. Vehicles in the amount of $75,082 are being acquired under a capital lease agreement. The stated interest rate is 5.45 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 17,025
2020	17,025
2021	17,025
2022	17,025
2023	8,512
Total Minimum Payments	76,612
Less, Amount Representing Interest	9,077
Present Value of Minimum Payments	$ 67,535

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2018, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $1,424,919. The current portion of the compensated absences liability, $142,489, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. 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. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of $4,483,000 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. At June 30, 2018, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.04 percent, which remained unchanged from its proportionate share measured as of June 30, 2017.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.58 percent
Healthcare cost trend rates	
PPO Plan	7.8 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
HMO Plan	5.2 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated assumptions for the FRS July 1, 2016, Actuarial Valuation were approved by the 2016 FRS Actuarial Assumptions Conference.

The remaining actuarial assumptions (e.g. initial per capita cost, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2015.
- The annual per capita claim costs have been updated to reflect current age-adjusted premiums.

- The premium rates have been updated to use the rates effective for 2017.
- Health care inflation rates have been updated to reflect the recent healthcare trend rates surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report on the Financial Outlook for the fiscal years ending June 30, 2017, through June 30, 2023, as adopted August 3, 2017, by the Self-Insurance Estimated Conference.
- The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the FRS. The rates are those outlined in Milliman's July 1, 2016, FRS valuation report.
- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 3.58 percent. The prior GASB Statement No. 45 valuation used 4 percent. The GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of the June 29, 2017.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
University's proportionate share of the total OPEB liability	$5,817,000	$4,483,000	$3,492,000

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$3,361,000	$4,483,000	$6,076,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the fiscal year ended June 30, 2018, the University recognized OPEB expense of $334,000. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions and other inputs	$ -	$ 611,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	514,000	-
Transactions subsequent to the measurement date	17,000	-
Total	$ 531,000	$ 611,000

Of the total amount reported as deferred outflows of resources related to OPEB, $17,000 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (12,000)
2020	(12,000)
2021	(12,000)
2022	(12,000)
2023	(12,000)
Thereafter	(37,000)
Total	$ (97,000)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the University's proportionate share of the net pension liabilities totaled $11,669,531. Note 11. includes a complete discussion of defined benefit pension plans.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered 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 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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 Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled $2,721,570 for the fiscal year ended June 30, 2018.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The 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-participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
FRS, Special Risk	3.00	23.27
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The University's contributions to the Plan totaled $860,898 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $8,428,407 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.028494244 percent, which was an increase of 0.005661369 from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of $2,100,993. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 773,525	$ 46,689
Change of assumptions	2,832,540	-
Net difference between projected and actual earnings on FRS Plan investments	-	208,877
Changes in proportion and differences between University contributions and proportionate share of contributions	2,415,824	-
University FRS contributions subsequent to the measurement date	860,898	-
Total	$ 6,882,787	$ 255,566

The deferred outflows of resources totaling $860,898, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 1,134,512
2020	1,859,570
2021	1,340,941
2022	442,429
2023	723,699
Thereafter	265,172
Total	$ 5,766,323

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's proportionate share of the net pension liability	$15,254,906	$8,428,407	$2,760,847

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $170,926 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $3,241,124 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the

University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.030312239 percent, which was an increase of 0.006115143 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of $620,577. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 6,749
Change of assumptions	455,591	280,262
Net difference between projected and actual earnings on HIS Plan investments	1,797	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,708,737	-
University HIS contributions subsequent to the measurement date	170,926	-
Total	$ 2,337,051	$ 287,011

The deferred outflows of resources totaling $170,926 resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 427,167
2020	426,826
2021	426,663
2022	330,282
2023	196,044
Thereafter	72,132
Total	$ 1,879,114

Actuarial Assumptions. The total pension liability at July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
University's proportionate share of the net pension liability	$3,698,552	$3,241,124	$2,860,112

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

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 the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled $276,573 for the fiscal year ended June 30, 2018.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.45 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $601,748, and employee contributions totaled $383,899 for the 2017-18 fiscal year.

13. Construction Commitments

The University's construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Applied Research Center	$ 2,762,795	$ 296,222	$ 2,466,573
Wellness Center Remodel	746,137	294,167	451,970
Total	$ 3,508,932	$ 590,389	$ 2,918,543

14. Risk Management Programs

The University 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. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2017-18 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $92.5 million for named windstorm and flood through February 14, 2018, and decreased to $78 million starting February 15, 2018. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

15. Litigation

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

16. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 8,471,839
Research	4,143,784
Public Services	39,651
Academic Support	6,999,058
Student Services	4,126,410
Institutional Support	10,572,143
Operation and Maintenance of Plant	2,722,006
Scholarships and Waivers	8,375,500
Depreciation	5,832,669
Auxiliary Enterprises	3,548,208
Total Operating Expenses	$ 54,831,268

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

	2017
University's proportion of the total other postemployment benefits liability	0.04%
University's proportionate share of the total other postemployment benefits liability	$ 4,483,000
University's covered-employee payroll	$ 15,360,481
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	29.19%

Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.028494244%	0.022832875%	0.019998331%	0.009648015%	0.000813120%
University's proportionate share of the FRS net pension liability	$ 8,428,407	$ 5,765,319	$ 2,583,054	$ 588,671	$ 139,974
University's covered payroll (2)	$ 15,360,481	$ 11,660,838	$ 8,912,958	$ 4,212,980	$ 348,928
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	54.87%	49.44%	28.98%	13.97%	40.12%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of University Contributions – Florida Retirement System Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 860,898	$ 741,775	$ 563,074	$ 487,576	$ 211,332
FRS contributions in relation to the contractually required contribution	(860,898)	(741,775)	(563,074)	(487,576)	(211,332)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 16,978,875	$ 15,360,481	$ 11,660,838	$ 8,912,958	$ 4,212,980
FRS contributions as a percentage of covered payroll	5.07%	4.83%	4.83%	5.47%	5.02%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.030312239%	0.024197096%	0.018486835%	0.009545059%	0.000943115%
University's proportionate share of the HIS net pension liability	$ 3,241,124	$ 2,820,072	$ 1,885,366	$ 892,486	$ 82,111
University's covered payroll (2)	$ 9,232,755	$ 7,298,830	$ 5,391,296	$ 2,508,042	$ 55,192
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.10%	38.64%	34.97%	35.58%	148.77%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 170,926	$ 160,241	$ 121,161	$ 70,668	$ 32,698
HIS contributions in relation to the contractually required HIS contribution	(170,926)	(160,241)	(121,161)	(70,668)	(32,698)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 9,805,704	$ 9,232,755	$ 7,298,830	$ 5,391,296	$ 2,508,042
HIS contributions as a percentage of covered payroll	1.74%	1.74%	1.66%	1.31%	1.30%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

1. Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. In 2018, amounts reported as changes of assumptions resulted from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return. Refer to Note 10. to the financial statements for further detail.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.

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Legislative Auditing Committee

INDEPENDENT AUDITOR'S 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*

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 Polytechnic University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 21, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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 University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2019

AGENDA ITEM: IX.

Florida Polytechnic University
Audit and Compliance Committee
Board of Trustees
May 22, 2019

Subject: Foundation Financial Audit – Fiscal Year Ended 6/30/18

Proposed Committee Action

Recommend approval of the Florida Polytechnic Foundation Financial audit conducted by independent certified public accountants for the fiscal year ended June 30, 2018, to the Board of Trustees.

Background Information

Pursuant to Florida Polytechnic University Regulation FPU-10.002, University Direct Support Organizations (DSO), each DSO shall cause an annual financial audit to be conducted, in accordance with applicable laws and rules, by an independent certified public accountant upon the close of each fiscal year for submission to the BOT for review and oversight. David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will present the results of the financial audit of the Foundation, for the fiscal year ended June 30, 2018, to the Committee for their consideration and recommended approval to the full Board.

Supporting Documentation: Florida Polytechnic Foundation Financial audit report for the fiscal year ended June 30, 2018.

Prepared by: David A. Blanton, CAE/CCO

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.

(A COMPONENT UNIT OF FLORIDA POLYTECHNIC UNIVERSITY)

FINANCIAL STATEMENTS AND SUPPLEMENTAL REPORT

YEAR ENDED JUNE 30, 2018

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF FLORIDA POLYTECHNICAL UNIVERSITY)
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YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Florida Polytechnic University Foundation, Inc.
Lakeland, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Polytechnic University Foundation, Inc. (a non-profit organization), which comprises the statement of financial positon as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 judgement, 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.

Board of Directors
Florida Polytechnic University Foundation, Inc.

Opinion

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of Florida Polytechnic University Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Florida Polytechnic University Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Polytechnic University Foundation, Inc.'s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
January 18, 2019

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF FLORIDA POLYTECHNICAL UNIVERSITY)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS		
CURRENT ASSETS		
Cash	$	503,197
Contributions Receivable, Net of Allowances		491,700
Other Accounts Receivable		9,342
Accrued Interest		10,596
Investments		920,540
Total Current Assets		1,935,375
LONG-TERM ASSETS		
Investments - Endowment		1,199,747
Investments Restricted for Other Long-Term Purposes		3,610,274
Contributions Receivable, Net of Allowances and Discounts		345,936
Total Assets	$	7,091,332
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$	5,989
Scholarship Pledges		1,250,926
Accrued Liabilities		1,767
Other Liability		2,750,000
Total Current Liabilities		4,008,682
LONG-TERM LIABILITIES		
Other Long-Term Liability		206,413
Scholarship Pledges		3,904,384
Total Liabilities		8,119,479
NET ASSETS		
Unrestricted, Undesignated		(2,927,057)
Temporarily Restricted		700,063
Permanently Restricted		1,198,847
Total Net Assets		(1,028,147)
Total Liabilities and Net Assets	$	7,091,332

See accompanying Notes to Financial Statements.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF FLORIDA POLYTECHNICAL UNIVERSITY)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions, Net of Allowances and Discounts	$ 323,480	$ 896,626	$ 359,084	$ 1,579,190
Interest Income	71,898	145,463	-	217,361
Unrealized Gain on Investments	88,404			88,404
In-Kind Salaries	284,310	-	-	284,310
Net Assets Released from Restrictions	1,182,423	(1,182,423)	-	-
	1,950,515	(140,334)	359,084	2,169,265
EXPENSES				
Program Services	1,391,048	-	-	1,391,048
Management and General	827,455	-	-	827,455
Fundraising	226,848	-	-	226,848
	2,445,351	-	-	2,445,351
CHANGES IN NET ASSETS	(494,836)	(140,334)	359,084	(276,086)
Net Assets - Beginning of Year	(2,432,221)	840,397	839,763	(752,061)
NET ASSETS - END OF YEAR	$ (2,927,057)	$ 700,063	$ 1,198,847	$ (1,028,147)

See accompanying Notes to Financial Statements.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF FLORIDA POLYTECHNICAL UNIVERSITY)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Transfers to Florida Polytechnic University	$ 1,138,691	$ 441,056	$ -	$ 1,579,747
Accounting Services	-	22,439	-	22,439
Advertising and Marketing	-	-	736	736
Awards and Commendations	-	-	6,540	6,540
Bank Charges	-	35,903	-	35,903
Books and Publications	-	590	-	590
Community Engagement and Sponsorships	-	-	3,000	3,000
Consulting Services	250,686	-	-	250,686
Entertainment	-	-	35,351	35,351
Food and Beverages	-	-	63,399	63,399
Insurance	-	-	2,306	2,306
In-Kind Salaries	-	284,310	-	284,310
Memberships, Dues, Subscriptions, and Licenses	-	9,124	-	9,124
Miscellaneous	-	132	-	132
Offices Supplies	-	1,301	-	1,301
Other Services	1,671	-	3,150	4,821
Other Supplies	-	414	1,021	1,435
Postage	-	-	756	756
Printing	-	-	34,756	34,756
Rental Expense	-	-	75,253	75,253
Software	-	3,665	-	3,665
Transportation			580	580
Travel	-	28,473	-	28,473
Uniforms	-	48	-	48
	$ 1,391,048	$ 827,455	$ 226,848	$ 2,445,351

See accompanying Notes to Financial Statements.

FLORIDA POLYTECHNIC UNIVERSITY FOUNDATION, INC.
(A COMPONENT UNIT OF FLORIDA POLYTECHNICAL UNIVERSITY)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ (276,086)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
(Increase) in Assets:	
Contributions Receivable	502,503
Other Receivables	(9,342)
Increase (Decrease) in Liabilities:	
Accounts Payable	(26,485)
Accrued Liabilities	(169,058)
Other Liabilities	(544,093)
Net Cash Flows Used by Operating Activities	(522,561)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(7,622,246)
Proceeds from Sale of Investments	8,346,806
Investment Income Reinvested	(101,313)
Net Cash Provided by Investing Activities	623,247
NET INCREASE IN CASH	100,686
Cash - Beginning of Year	402,511
CASH - END OF YEAR	$ 503,197

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Florida Polytechnic University Foundation, Inc. (the Foundation) was incorporated on October 30, 2012. Foundation was formed as a direct-support organization in accordance with Section 1004.28, Florida Statutes, and operates exclusively for the benefit of Florida Polytechnic University (the University). The Foundation is considered a component unit of the University. The governing body of the Foundation is the Board of Directors (the Board). The Board is comprised of not less than three and not more than forty-five elected directors, subject to review by the Board Development Advisory and subject to confirmation by the University president and election by the Board. The Foundation's purpose is to receive, hold, invest and administer property and to make expenditures to or for the benefit of the University by encouraging alumni and friends to provide private funds and other resources for the University's benefit, to manage those assets, to provide volunteer leadership in support of the University's objectives and to perform all business matter to accomplish these purposes.

Basis of Accounting

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

Basis of Presentation

In accordance with accounting guidance, the Foundation's net assets are classified into three categories: (1) unrestricted net assets, which include no donor-imposed restrictions; (2) temporarily restricted net assets, which include donor-imposed restrictions that will expire in the future; and (3) permanently restricted net assets, which include donor-imposed restrictions that the assets be maintained permanently.

The unrestricted net assets consist of operating funds available for any purpose authorized by the board of directors. Temporarily restricted net assets consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent. Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended.

Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in demand accounts or time deposits in commercial banks. For the purpose of cash flows, the Foundation includes as cash equivalents all highly liquid investments with a maturity of three months or less when purchased. Money market funds, held as a portion of the Foundation's investment portfolio, are classified as long-term investments and are not considered to be cash equivalents for purposes of the statement of cash flows.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities and money market accounts. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. The realized and unrealized gain or loss on investments is reflected in the statement of activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonable possible that change in the fair values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Money market funds in the brokerage account are FDIC insured up to $250,000.

Unconditional Promises to Give

Unconditional promises to give are recorded when the promises to contribute are made. Unconditional promises to give which are expected to be collected in more than one year are stated at the present value of estimated future receipts, using risk-free rates applicable to the years in which the promises are to be received. The Foundation provides an allowance for uncollectible pledges based on management's assessment of the collectability. The Foundation's policy is to record a one and a half percent allowance for doubtful accounts for all promises to give.

Contributions and Donor-Imposed Restrictions

Contributions, including unconditional promises to give, are recorded when made. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. If a temporarily restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Contributions of donated assets and services are recorded at their estimated fair value at the date of receipt and are reflected as contributions in the accompanying statement of activities. Contributions of services are recognized only if such services create or enhance nonfinancial assets, would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills and would otherwise be purchased by the Foundation.

Functional Expenses

The costs of the providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses are allocated based on management's estimate of the relative functional activity.

Income Tax Status

The Foundation is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Foundation currently has no unrelated business taxable income. Accordingly, no provision for income taxes has been recorded.

The Foundation adopted the income tax standard for uncertain tax positions on January 1, 2009. As a result of the implementation, the Foundation determined there were no uncertain tax position for which either recognition or disclosure is required in the Financial Statements.

Fair Value Measurement

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Foundation has the ability to access quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Valuation techniques used in fair value measurement need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuations methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no significant changes in the methodologies used during the year ended June 30, 2018.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2018, the Foundation's book balance of cash is $503,197. The bank balance is $528,774. Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. All deposits are insured with the FDIC up to $250,000.

NOTE 3 CONTRIBUTION RECEIVABLES

Contribution receivables are due as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contribution Receivables:				
In less than One Year	$ 150,951	$ 200,394	$ 147,800	$ 499,145
In 1 to 5 Years	-	215,000	149,600	364,600
	150,951	415,394	297,400	863,745
Less: Discounts on Long-term Receivables	(4,799)	(3,417)	(5,010)	(13,226)
Less: Allowance for Doubtful Accounts	(4,066)	(4,356)	(4,461)	(12,883)
Contributions Receivable, Net of Allowances and Discounts	$ 142,086	$ 407,621	$ 287,929	$ 837,636

Contributions receivable are recorded by the Foundation when all eligibility requirements are met and once the contribution receivable is verifiable and the resources are measurable and probable of collection. An allowance for uncollectible contributions receivable is recorded based on management's estimate of uncollectible contributions. Long-term contributions receivable are discounted at 1.92%.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 1 –Summary of Significant Accounting Policies.

The following tables present the fair value hierarchy for the balances of the investments of the Foundation measured at fair value on a recurring basis as of June 30, 2018:

	Quoted Active Markets Identified Inputs (Level One)	Prices in Significant Other Observable Inputs (Level Two)	Unrealized Significant Unobservable Inputs (Level Three)
Money Market Account	$ 228,569	$ -	$ -
Corporate and Foreign Bonds	488,773	-	-
U.S. Government Securities and Agency Obligations	95,091	-	-
U.S. Government Bonds	481,757	-	-
Mutual Funds - Bonds	715,134	-	-
Mutual Funds - Equity	3,721,237	-	-
Total Investments	$ 5,730,561	$ -	$ -

NOTE 5 OTHER LIABILITY

The Foundation has $2,750,000 in other liabilities as of year ended June 30, 2018. During fiscal year 2014, an anonymous donor gave $5,000,000 to the foundation. According to the stipulations of the second amendment to the donation agreement, $250,000 was returned to the anonymous donor in fiscal year 2015. $2,000,000 of the donation was designated for unrestricted purposes. Funds were available in a dollar for dollar match as donations were received from additional donors. During fiscal year June 30, 2014, $447,200 was matched and recognized as revenue. During fiscal year end June 30, 2015, the remaining $1,552,800 was matched, collected, and recognized as revenue. The remaining $2,750,000 cannot be used until the anonymous donor and Foundation enter an agreement as to how the funds will be released. The second amendment of the donation agreement states, if a written agreement is not reached on or before August 1, 2015, the anonymous donor may at any time thereafter, upon its written request remove the remainder of the donation. If this event occurs, the Foundation is required to return the $2,750,000 to the anonymous donor within 30 days of the anonymous donor’s written request. As of the issuance of the June 30, 2018 financial statements, an agreement has not been reached with the anonymous donor, although on-going discussions have/are taking place between the University and the anonymous donor in regards to status of designated benchmarks. To date, the anonymous donor has not requested the funds be returned.

NOTE 6 SCHOLARSHIP PLEDGES AND OTHER LONG-TERM LIABILITY

The Foundation has pledged to fund certain scholarships and other expenses for the University. At June 30, 2018, the amounts outstanding pledged for scholarships for the fiscal year ended June 30, 2017 is $1,040,000 and the outstanding amounts pledged for scholarships for the year ended June 30, 2018 is $4,115,310. The Board has agreed to pay the amounts relating to scholarships in equal installments over ten years bearing no interest. Below is a summary of amounts to be paid to the University:

Year Ending June 30,	Amount
2019	$ 1,250,926
2020	587,257
2021	587,257
2022	587,257
2023	587,257
Thereafter	1,761,769
Total	$ 5,361,723

Reconciliation to the Statement of Financial Position	
Scholarship Pledges - Short-Term	$ 1,250,926
Scholarship Pledges - Long-Term	3,904,384
Other Long-Term Liability	206,413
Total	$ 5,361,723

NOTE 7 ENDOWMENT COMPOSITION

As of June 30, 2018, the Foundation's endowment included funds established for the purposes of scholarships. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment funds by category from inception to date consist of the following as of June 30, 2018:

	Permanently Restricted	Temporarily Restricted	Total
Endowments			
Scholarship Program	$ 1,198,847	$ 3,795	$ 1,202,642
Total Endowment	$ 1,198,847	$ 3,795	$ 1,202,642

Interpretation of Uniform Prudent Management of Institutional Funds

During 2011, the state of Florida enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation enacted the enhanced disclosure for endowments required by accounting guidance which became effective July 1, 2012.

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

Changes in endowment net assets consist of the following for the year ended June 30, 2018:

	Permanently Restricted	Temporarily Restricted	Total
Endowment at Beginning of Year	$ 839,763	$ 3,795	$ 843,558
New Gifts	359,084	-	359,084
Interest Income	-	29,918	29,918
Appropriated for Expenditure	-	(29,918)	(29,918)
Endowment at End of Year	$ 1,198,847	$ 3,795	$ 1,202,642

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

NOTE 7 ENDOWMENT COMPOSITION (CONTINUED)

Strategies Employed for Achieving Objectives

The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation and to develop a new and significant source of revenue for the Foundation. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (a) fund special grants; (b) ensure long-term growth; (c) enhance our ability to meet changing University and Foundation needs in both the short and long-term; and, (d) support the administrative expenses of the Foundation as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has not adopted investment and spending policies for endowment assets as of June 30, 2018.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Foundation policies requires to retain as a fund of perpetual duration. These deficiencies are the result of unfavorable market fluctuations that occurred after the investment of permanently restricted contributions. Deficiencies of this nature that are in excess of related temporarily restricted amounts would be reported in unrestricted net assets. The Foundation does not have any deficiencies as of June 30, 2018.

NOTE 8 CONCENTRATIONS

During fiscal year ended June 30, 2018, one donor accounted for approximately 48% of total contribution revenue.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, which total $700,063, consist of net assets restricted for scholarships of $(654,041), net assets restricted for a wellness center totaling $528,461, net assets restricted for specifically identified programs of $655,014, and net assets restricted due to time limitations on long-term receivables of $125,000. The remaining $45,629 of temporarily restricted net assets is interest and earnings. The net assets restricted for scholarships hold a negative balance which is due to the liability owed to the University.

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring scholarship expenses, satisfying the purpose specified by donors.

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of entirely of assets restricted for endowed scholarships.

NOTE 12 RELATED PARTY TRANSACTIONS

The Foundation contributed $1,579,747 to the University for the year ended June 30, 2018. Of the Foundation's liabilities recorded as of June 30, 2018, approximately $5.4 million is owed to the University. At June 30, 2018, there was $518,335 of gross contribution receivables due from Foundation Board of Directors and University Board of Trustees. For the year ended June 30, 2018, contribution revenue from the Foundation Board of Directors and University Board of Trustees totaled $822,100.

NOTE 13 SUBSEQUENT EVENT

Subsequent to June 30, 2018, some gift amendments resulted in $226,250 of temporarily restricted contributions being transferred to permanent endowments.

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

Board of Directors
Florida Polytechnic University Foundation, Inc.
Lakeland, 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 Polytechnic University Foundation, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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.

Board of Directors
Florida Polytechnic University Foundation, Inc.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
January 18, 2019

Form **990** | **Return of Organization Exempt From Income Tax** | OMB No. 1545-0047

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

2017

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

A For the 2017 calendar year, or tax year beginning JUL 1, 2017 and ending JUN 30, 2018

B Check if applicable: ☐ Address change ☐ Name change ☐ Initial return ☐ Final return/terminated ☐ Amended return ☐ Application pending

C Name of organization
FLORIDA POLYTECHNIC UNIVERSITY
FOUNDATION, INC

Doing business as

Number and street (or P.O. box if mail is not delivered to street address) | Room/suite
4700 RESEARCH WAY

City or town, state or province, country, and ZIP or foreign postal code
LAKELAND, FL 33805

D Employer identification number
46-1426289

E Telephone number
(863)874-8416

G Gross receipts $ 10,127,799.

F Name and address of principal officer: KEVIN ASPEGREN
SAME AS C ABOVE

H(a) Is this a group return for subordinates? ☐ Yes ☒ No

H(b) Are all subordinates included? ☐ Yes ☐ No
If "No," attach a list. (see instructions)

I Tax-exempt status: ☒ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW.FLORIDAPOLYTECHNIC.ORG

H(c) Group exemption number ▶

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 2012 **M** State of legal domicile: FL

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: ESTABLISHED TO HELP SUSTAIN THE MISSION OF FLORIDA POLYTECHNIC UNIVERSITY.

2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	17
5	Total number of individuals employed in calendar year 2017 (Part V, line 2a)	5	0
6	Total number of volunteers (estimate if necessary)	6	17
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	1,171,607.	1,486,732.
	9	Program service revenue (Part VIII, line 2g)	0.	0.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	94,649.	217,361.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-119,980.	-32,615.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,146,276.	1,671,478.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	5,095,192.	1,582,747.
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0.	0.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶ 114,333.		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	349,485.	468,779.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	5,444,677.	2,051,526.
	19	Revenue less expenses. Subtract line 18 from line 12	-4,298,401.	-380,048.
			Beginning of Current Year	**End of Year**
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	8,107,054.	7,091,332.
	21	Total liabilities (Part X, line 26)	8,859,115.	8,119,479.
	22	Net assets or fund balances. Subtract line 21 from line 20	-752,061.	-1,028,147.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

▶ Signature of officer | Date

▶ DEREK HORTON, FOUNDATION TREASURER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
LAUREN BALLARD, CPA	LAUREN BALLARD, CPA	02/08/19		P01451787

Firm's name ▶ CLIFTONLARSONALLEN LLP | Firm's EIN ▶ 41-0746749

Firm's address ▶ 402 SOUTH KENTUCKY AVENUE, SUITE 600
LAKELAND, FL 33801 | Phone no. 863-680-5600

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No