

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**THE FLORIDA STATE UNIVERSITY
ATHLETICS ASSOCIATION, INC.**

**YEARS ENDED JUNE 30, 2019 AND 2018
WITH REPORT OF INDEPENDENT AUDITORS**



**THE FLORIDA STATE UNIVERSITY
ATHLETICS ASSOCIATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

CONTENTS

Report of Independent Auditors	1
Management’s Discussion and Analysis	4
Financial Statements	
Statements of Net Position.....	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9
Other Reports	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14

REPORT OF INDEPENDENT AUDITORS

Mr. John Thrasher, President
Florida State University

Report on the Financial Statements

We have audited the accompanying financial statements of Florida State University Athletics Association, Inc., which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues, expenses, and changes in net position and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Page Two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida State University Athletics Association, Inc. as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements of Florida State University Athletics Association, Inc. are intended to present the financial position, changes in financial position and cash flows of only that portion of The Florida State University that is attributable to the transactions of Florida State University Athletics Association, Inc. They do not purport to, and do not, present fairly the financial position of Florida State University, as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 and 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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.

Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 on our consideration of Florida State University Athletics Association, 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 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 State University Athletics Association, 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 State University Athletics Association, Inc.'s internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
October 18, 2019

**THE FLORIDA STATE UNIVERSITY
ATHLETICS ASSOCIATION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management’s discussion & analysis (MD&A) provides an overview of the financial position and activities of the Florida State University Athletic Association (the Association) for the years ended June 30, 2019 and 2018. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management’s Discussion & Analysis – For Public Colleges & Universities*. It should be read in conjunction with the financial statements and supporting notes thereto.

OVERVIEW OF FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

The statement of net position reflects the assets and liabilities of the Association, using the accrual basis of accounting, and presents the financial position of the Association as of June 30, 2019 and 2018. The difference between total assets, total liabilities, and net position, is one significant indicator of the Association’s current financial condition. The changes in net position that occur over time indicate enhancement or deterioration in the Association’s financial condition. The following table summarizes the Association’s assets, liabilities, and net position at June 30:

	<u>2019</u>	<u>2018</u>
Assets		
Current assets	\$ 6,359,835	\$ 5,902,065
Other noncurrent assets	81,605	5,012,248
Total assets	<u>6,441,440</u>	<u>10,914,313</u>
Liabilities		
Current liabilities	1,895,592	1,902,065
Noncurrent liabilities	81,605	1,114,752
Total liabilities	<u>1,977,197</u>	<u>3,016,817</u>
Net position		
Unrestricted	<u>4,464,243</u>	<u>7,897,496</u>
Total net position	<u>\$ 4,464,243</u>	<u>\$ 7,897,496</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position depicts the Association's revenue and expense activity. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Association's activity for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 143,872	\$ 14,914,313
Less operating expenses	<u>(3,635,936)</u>	<u>(7,016,817)</u>
Operating income (loss)	(3,492,064)	7,897,496
Non-operating income	<u>58,811</u>	<u>–</u>
Net change in net position	(3,433,253)	7,897,496
Net position, beginning of year	<u>7,897,496</u>	<u>–</u>
Net position, end of year	<u>\$ 4,464,243</u>	<u>\$ 7,897,496</u>

STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the Association's financial results by reporting the major sources and uses of cash. This statement assists in evaluating the Association's ability to generate net cash flows, and its ability to meet its obligations when they come due. The statement of cash flows reconciles the Association's cash transactions. Receipts during the year were used to provide financial and administrative support to the University's varsity sports programs and were used in the purchase of investments. For the year ended June 30, 2019, there was no cash provided by or used in noncapital or capital related financing activities. The balance of cash and cash equivalents was \$0 for both the beginning and end of the year.

ECONOMIC CONDITIONS AND OUTLOOK

Operating revenues and net position have decreased for the year ended June 30, 2019 from the previous year. These decreases are a result of revenues from multi-year pledges being recorded in the previous year when the amounts are considered earned under the accrual basis of accounting. The financial outlook for the 2020 fiscal year remains positive. In the upcoming year, the Association intends to provide support for excess coaches' buyouts and provide University support for Athletic related capital improvements.

REQUEST FOR INFORMATION

Questions concerning information provided in the MD&A or elsewhere in the June 30, 2019 financial statements and supporting notes thereto should be addressed to Florida State University Department of Athletics, Business Office, P.O. Box 2195, Tallahassee, Florida 32306.

**THE FLORIDA STATE UNIVERSITY
ATHLETIC ASSOCIATION, INC.**

STATEMENTS OF NET POSITION

	June 30,	
	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ -	\$ -
Investments	552,990	-
Interest receivable	2,451	-
Current portion of contributions receivable	4,000,000	4,000,000
Current portion of liquidated damages from coaches receivable	1,804,394	1,902,065
Total current assets	<u>6,359,835</u>	<u>5,902,065</u>
Noncurrent assets		
Contributions receivable, net of current portion and discount	-	3,897,496
Liquidated damages from coaches receivable, net of current portion and discount	81,605	1,114,752
Total assets	<u>\$ 6,441,440</u>	<u>\$ 10,914,313</u>
Liabilities		
Current liabilities		
Current portion of accrued expenses	\$ 126,634	\$ 1,619,503
Due to other University funds	1,768,958	282,562
Total current liabilities	<u>1,895,592</u>	<u>1,902,065</u>
Noncurrent liabilities		
Accrued expenses, net of current portion and discount	81,605	1,114,752
Total liabilities	<u>1,977,197</u>	<u>3,016,817</u>
Net Position		
Unrestricted	4,464,243	7,897,496
Total net position	<u>\$ 4,464,243</u>	<u>\$ 7,897,496</u>

See accompanying notes.

**THE FLORIDA STATE UNIVERSITY
ATHLETIC ASSOCIATION, INC.**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

	Years ended June 30,	
	2019	2018
Operating revenues		
Contributions	\$ 102,504	\$ 11,897,496
Liquidated damages from coaches	41,368	3,016,817
Total operating revenues	143,872	14,914,313
Operating expenses		
University support expenditures	3,500,000	4,000,000
Termination benefits to coaches	132,566	3,016,817
Other operating expenses	3,370	-
Total operating expenses	3,635,936	7,016,817
Operating income (loss)	(3,492,064)	7,897,496
Nonoperating revenues		
Investment earnings	58,811	-
Increase (decrease) in net position	(3,433,253)	7,897,496
Net position, beginning of year	7,897,496	-
Net position, end of year	\$ 4,464,243	\$ 7,897,496

See accompanying notes.

**THE FLORIDA STATE UNIVERSITY
ATHLETIC ASSOCIATION, INC.**

STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2019	2018
Cash flows from operating activities		
Receipts from contributions	\$ 4,000,000	\$ 4,000,000
Payments to related entities	(3,500,000)	(4,000,000)
Payments to suppliers and others	(3,370)	-
Net cash provided by operating activities	496,630	-
 Cash flows from investing activities		
Purchases of investments	(547,352)	-
Investment earnings	50,722	-
Net cash used in investing activities	(496,630)	-
 Cash and cash equivalents, beginning of year	-	-
 Cash and cash equivalents, end of year	\$ -	\$ -
 Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	\$ (3,492,064)	\$ 7,897,496
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Decrease (increase) in contributions receivable	3,897,496	(10,914,313)
Decrease in liquidated damages receivable	1,130,818	-
(Decrease) increase in accrued expenses	(2,526,016)	2,734,255
Increase in due to other University funds	1,486,396	282,562
 Net cash provided by operating activities	\$ 496,630	\$ -

See accompanying notes.

**THE FLORIDA STATE UNIVERSITY
ATHLETIC ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies of Florida State University Athletic Association, Inc. (the Association), which affect significant elements of the accompanying financial statements.

Reporting entity – The Association is a direct support organization of Florida State University (the University) pursuant to Section 1004.28, Florida Statutes. The Association is a non-profit Florida Corporation exempt from tax under Code Section 501(c)(3) of the Internal Revenue Code (IRC). The Association is organized and operated exclusively to receive, hold, invest, and administer property for the benefit of the Florida State University. The purpose of the Association includes providing financial and administrative support to the University’s varsity sports as deemed necessary and appropriate by the University President.

Measurement focus and basis of accounting – The financial statements of the Association have been prepared following the financial reporting requirements for enterprise funds, which use the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred. In order to comply with restrictions that donors place on contributions and other gifts, as well as designations made by the Board of Directors, the principles of fund accounting are used.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities.

The Association distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses for the Association are those that result from supporting the operation of the University’s intercollegiate athletic programs. It excludes all revenue and expenses related to capital and related financing, noncapital financing, and investing activities.

Cash and cash equivalents – For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in demand accounts. Association cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by the Federal Depository Insurance Corporation (FDIC) up to specified limits, or collateralized with securities held in Florida’s multiple financial institution collateral pool in accordance with Florida statutes.

Investments and Fair Value Measurement – The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Association is invested in the State Treasury Special Purpose Investment Account (SPIA). SPIA is measured at net asset value per share. Investments measured at net asset value are not subject to the fair value hierarchy level classification under GASB 72.

Revenue Recognition – *Contributions* – Annual contributions are recorded as revenue at the time they are received or when all eligibility requirements are met, whichever is first.

Other Revenues – Other revenues includes the amount of estimated liquidated damages to be recovered per contractual obligations associated with involuntary termination benefits for an athletic coach’s breach of contract.

**THE FLORIDA STATE UNIVERSITY
ATHLETIC ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Accounts receivable – Accounts receivable from operations are stated at their net realizable value. Accounts receivable for liquidated damages are recorded at net present value using the income approach. Management uses the discounted present value to convert future amounts to present value based on the U.S. Treasury Securities at a 3-year constant maturity. Management considers all accounts receivable balances to be fully collectable. As such, no allowance for uncollectable amounts has been recorded as of June 30, 2019 and 2018. The Association has no policy requiring collateral or other security to support its accounts receivable.

Termination Benefits – The Association has entered into employment contracts with certain employees that provided for involuntary termination benefits. An expense and liability is created by the Association when a plan of termination has been approved by those with the authority to commit the Association to the plan, the plan has been communicated to those employees, and the amount can be reasonably estimated. Termination benefits are recorded at net present value. The present value of termination benefits payable is determined by using the U.S. Treasury Securities at a 3-year constant maturity.

Income taxes – Pursuant to a determination letter received from the Internal Revenue Service, the Association is exempt from federal income taxes under IRC Section 501(c)(3) and as such, is liable for tax only on business income unrelated to the purpose for which they are exempt. There are no provisions for income tax for the years ended June 30, 2019 or 2018.

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 the reported amounts of assets, liabilities, and changes therein and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Net position – Net position is classified and displayed in two components:

- (i) **Restricted** – consists of net position that has constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- (ii) **Unrestricted** – consists of net position that does not meet the definition of “restricted.”

When both restricted and unrestricted net position is available for use, it is the Association’s policy to use the restricted resources first, then unrestricted resources as they are needed.

**THE FLORIDA STATE UNIVERSITY
ATHLETIC ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Subsequent events – The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 18, 2019, the date which the financial statements were available to be issued. During the period from June 30, 2019 to October 18, 2019 the Association did not have any material recognizable subsequent events other than as described in Note 7.

2. Investments

The Association reported investments at fair value totaling \$552,990 and \$0 for the years ended June 30, 2019 and 2018, respectively, 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 SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.71 years and fair value factor of 1.0103 at June 30, 2019. Participants contribute to the Treasury 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 Association 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. All of the Association's recurring fair value measurements as of June 30, 2019 are investments with the State Treasury Special Purpose Investment Account (SPIA) investment pool which are valued based on the Association's share of the pool.

3. Liquidated Damages Receivable from Third Parties

During the 2017-2018 football season, the University's head football coach resigned thereby breaching his employment agreement with the University. Pursuant to the terms of his employment agreement, the head football coach is liable to the University for certain liquidated damages relating to the termination benefits of assistant coaches. See Note 6 for a description of the termination benefits payable to assistant coaches. Liquidated damages receivable as of June 30, are summarized as follows:

	2019	2018
Total liquidated damages - football coaches	\$ 3,018,377	\$ 4,523,106
Less: amounts due to the FSU Athletics Department	(1,130,983)	(1,463,526)
Liquidated damages due to the Association	1,887,394	3,059,580
Less: discount on long-term portion (1.71% and 2.63%, respectively)	(1,395)	(42,763)
Net liquidated damages receivable	\$ 1,885,999	\$ 3,016,817

**THE FLORIDA STATE UNIVERSITY
ATHLETIC ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

3. Liquidated Damages Receivable from Third Parties (continued)

Liquidated Damages expected to be collected after June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Guaranteed Amount</u>
2020	\$ 1,804,394
2021	81,605
2022	-
2023	-
2024	-
	<u>\$ 1,885,999</u>

4. Contributions Receivable

Contributions receivable at June 30 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Total unconditional contributions	\$ 4,000,000	\$ 8,000,000
Less: discount on long-term contributions (1.71% and 2.63%, respectively)	-	(102,504)
Net contributions receivable	<u>\$ 4,000,000</u>	<u>\$ 7,897,496</u>

5. Related Party Transactions

As stated in Note 1, the Association is a direct support organization of The Florida State University (the University). Additionally, the University's personnel have operational responsibility of the Association. Certain payroll expenditures in relation to termination benefits described in Note 6, were paid by the University on behalf of the Association. During the year ended June 30, 2019 and 2018 those payments totaled \$1,486,396 and \$282,562, respectively. Payables to the University totaled \$1,768,958 and \$282,562 at June 30, 2019 and 2018, respectively. Additionally, the Association transferred funds for athletic related projects, including capital improvements, to other departments within the University. Those transfers totaled \$3,500,000 and 4,000,000 for the year ended June 30, 2019 and 2018, respectively.

6. Termination Benefits

During the year ended June 30, 2018, the University terminated six former assistant football coaches, thereby enacting the involuntary termination clause of the applicable employment contracts. Employment agreements associated with those coaches provide for termination benefits equal to the total compensation remaining on the employee's contracts after a 20 week period, reduced on a dollar for dollar basis by any new compensation agreement entered into by the employee with any third party. As described in Note 3, consistent with the head football coach's employment agreement, the termination benefit obligation for these six former assistant football coaches will be repaid to the Association by the former head football coach.

**THE FLORIDA STATE UNIVERSITY
ATHLETIC ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

6. Termination Benefits (continued)

During the year ended June 30, 2019 the estimated amounts payable to these terminated coaches was reduced based on new employment agreements between those coaches and third parties. This change reduced the amount payable by the Association and receivable from the former head football coach by \$1,172,186.

During the year ended June 30, 2019 the University terminated one former assistant football coach with an employment agreement with the Association. The employment agreement associated with this coach provide for termination benefits equal to the total compensation remaining on the employee's contract after a 20 week period, reduced on a dollar for dollar basis by any new compensation agreement entered into by the employee with any third party.

The estimated remaining termination benefits for the seven terminated coaches are to be paid in years 2020 through 2021. All long-term portions of the termination benefits have been discounted by 1.71%. At June 30, 2019, the total estimated liability for involuntary termination benefits for each of the next five years, is as follows:

Year Ending June 30,	Guaranteed Amount
2020	\$ 126,634
2021	81,605
2022	—
2023	—
2024	—
	<hr/> \$ 208,239 <hr/>

7. Subsequent Events

Announced in June 2019, the Florida State's Board of Trustees approved a Memorandum of Agreement to combine FSU's Athletics Department and Seminole Boosters into the Florida State University Athletics Association (FSUAA).

Starting in the year ended June 30, 2020 the FSUAA will be the new management structure for FSU athletics. The five-member Board of Directors will govern FSUAA. These members include the President of the University (the Chair), FSU's NCAA Faculty Athletics Representative, and the Chair of the Seminole Boosters. The Director of Athletics will serve as the Chief Executive Officer (CEO) of FSUAA and have a direct reporting line to the University President/FSUAA Board Chair.

The FSUAA will oversee all aspects of FSU's athletics program, approve budgets, strategic plans, develop policies regarding scheduling, financing facilities, prioritizing projects and programs and will be responsible for hiring, evaluating and compensating the Director of Athletics.

Other Reports

**REPORT OF INDEPENDENT AUDITORS 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***

Mr. John Thrasher, President
Florida State University

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 State University Athletics Association, Inc. (the Association), which comprise the statement of financial position as of June 30, 2019, the related statements of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Page Two

Compliance and Other Matters

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

Purpose of this Report

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
October 18, 2019