

**STATE COLLEGE OF FLORIDA
FOUNDATION, INC.**

FINANCIAL STATEMENTS

Years Ended September 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
State College of Florida Foundation, Inc.
Bradenton, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of State College of Florida Foundation, Inc. (the "Foundation"), a direct support organization and component unit of State College of Florida, Manatee-Sarasota, which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses 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.

Auditor's 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.

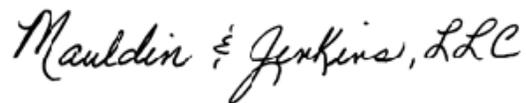
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Bradenton, Florida
December 17, 2015

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2015	2014
ASSETS		
Cash	\$ 501,477	953,150
Investments	47,442,185	48,948,264
Pledges receivable, net	96,169	92,669
Prepaid expenses and other current assets	34,384	25,803
Property and equipment, net	316	638
Beneficial interest in remainder trusts	319,264	355,275
Beneficial interest in perpetual trusts	2,115,524	2,307,978
TOTAL ASSETS	\$ 50,509,319	52,683,777
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,822	1,250
Due to State College of Florida, Manatee-Sarasota	110,580	36,858
Deferred revenue	82,837	82,380
Annuity payable	49,895	56,346
Total liabilities	245,134	176,834
Net assets		
Unrestricted	7,313,379	7,566,601
Temporarily restricted	30,904,320	32,736,352
Permanently restricted	12,046,486	12,203,990
Total net assets	50,264,185	52,506,943
TOTAL LIABILITIES AND NET ASSETS	\$ 50,509,319	52,683,777

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Investment income	\$ 168,056	816,631	-	984,687
Net realized and unrealized losses	(755,173)	(1,735,591)	-	(2,490,764)
Special events	433,092	-	-	433,092
Other income	23,642	4,342	-	27,984
Total revenues	<u>(130,383)</u>	<u>(914,618)</u>	<u>-</u>	<u>(1,045,001)</u>
Support				
Individuals, corporations, foundations, and others	415,500	1,388,676	15,000	1,819,176
State of Florida	30,999	-	-	30,999
Total support	<u>446,499</u>	<u>1,388,676</u>	<u>15,000</u>	<u>1,850,175</u>
Net assets released from restriction	<u>2,248,341</u>	<u>(2,268,291)</u>	<u>19,950</u>	<u>-</u>
Total revenues and support	2,564,457	(1,794,233)	34,950	805,174
Expenses				
Program services	2,224,989	-	-	2,224,989
General and administrative	312,507	-	-	312,507
Fund-raising	278,622	-	-	278,622
Total expenses	<u>2,816,118</u>	<u>-</u>	<u>-</u>	<u>2,816,118</u>
Increase (decrease) in net assets before change in value of annuity liabilities and value in beneficial interest in remainder and perpetual trusts	(251,661)	(1,794,233)	34,950	(2,010,944)
Change in value of annuity payable	(1,561)	(1,788)	-	(3,349)
Change in value in beneficial interest in remainder trusts	-	(36,011)	-	(36,011)
Change in value in beneficial interest in perpetual trusts	-	-	(192,454)	(192,454)
Net decrease in net assets	(253,222)	(1,832,032)	(157,504)	(2,242,758)
Net assets, beginning of the year	<u>7,566,601</u>	<u>32,736,352</u>	<u>12,203,990</u>	<u>52,506,943</u>
Net assets, end of the year	<u>\$ 7,313,379</u>	<u>30,904,320</u>	<u>12,046,486</u>	<u>50,264,185</u>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Investment income	\$ 650,240	1,627,432	-	2,277,672
Net realized and unrealized gains	558,767	1,620,300	-	2,179,067
Special events	375,614	-	-	375,614
Other income	50,889	-	-	50,889
Total revenues	<u>1,635,510</u>	<u>3,247,732</u>	<u>-</u>	<u>4,883,242</u>
Support				
Individuals, corporations, foundations, and others	243,813	1,254,662	4,000	1,502,475
State of Florida	35,517	-	-	35,517
Total support	<u>279,330</u>	<u>1,254,662</u>	<u>4,000</u>	<u>1,537,992</u>
Net assets released from restriction	<u>2,196,768</u>	<u>(2,196,768)</u>	<u>-</u>	<u>-</u>
Total revenues and support	4,111,608	2,305,626	4,000	6,421,234
Expenses				
Program services	2,102,267	-	-	2,102,267
General and administrative	303,369	-	-	303,369
Fund-raising	264,698	-	-	264,698
Total expenses	<u>2,670,334</u>	<u>-</u>	<u>-</u>	<u>2,670,334</u>
Increase in net assets before change in value of annuity liabilities and value in beneficial interest in remainder and perpetual trusts	1,441,274	2,305,626	4,000	3,750,900
Change in value of annuity payable	(2,035)	(2,149)	-	(4,184)
Change in value in beneficial interest in remainder trusts	-	2,793	-	2,793
Change in value in beneficial interest in perpetual trusts	-	-	82,188	82,188
Net increase in net assets	1,439,239	2,306,270	86,188	3,831,697
Net assets, beginning of the year	<u>6,127,362</u>	<u>30,430,082</u>	<u>12,117,802</u>	<u>48,675,246</u>
Net assets, end of the year	<u>\$ 7,566,601</u>	<u>32,736,352</u>	<u>12,203,990</u>	<u>52,506,943</u>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2015

	Program Services	General and Administrative	Fund- raising	Total
Alumni/friends magazine	\$ -	13,286	-	13,286
Alumni development	-	417	-	417
Annual fund	-	301	-	301
Audit and accounting	-	16,500	-	16,500
Advertising	-	-	118	118
Bank charges	-	3,764	-	3,764
Community support	-	909	-	909
Contract services	-	-	61,268	61,268
Depreciation	-	322	-	322
Donor recognition	-	1,093	49	1,142
Enhancements	598,278	-	-	598,278
Facilities and catering	-	-	36,744	36,744
Fund development planning	-	3,749	-	3,749
Institutional support	62,563	-	-	62,563
Insurance	-	4,972	-	4,972
Legal fees	-	61	-	61
Meetings	-	6,311	48	6,359
Miscellaneous	-	6,757	-	6,757
Other professional fees	-	375	21,208	21,583
Personnel	123,914	197,421	142,483	463,818
Photography	-	-	775	775
Postage and mailing	-	239	99	338
Printing	-	3,130	6,376	9,506
Professional development	-	4,136	-	4,136
Rent/Rental equipment	-	20,000	5,741	25,741
Scholarships	1,440,234	-	-	1,440,234
Software and office equipment	-	19,382	-	19,382
Supplies	-	4,774	3,713	8,487
Travel	-	3,880	-	3,880
Web page development	-	728	-	728
Total expenses	\$ 2,224,989	312,507	278,622	2,816,118

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2014

	Program Services	General and Administrative	Fund- raising	Total
Alumni/friends magazine	\$ -	-	-	-
Annual fund	-	586	-	586
Audit and accounting	-	15,500	-	15,500
Bank charges	-	2,795	-	2,795
Community support	-	7,233	-	7,233
Contract services	17,016	25,400	99,149	141,565
Depreciation	-	611	-	611
Donor recognition	-	1,016	65	1,081
Enhancements	618,604	-	-	618,604
Facilities and catering	-	-	33,523	33,523
Fund development planning	-	2,754	-	2,754
Institutional support	1,651	-	-	1,651
Insurance	-	5,454	-	5,454
Legal fees	-	134	-	134
Meetings	-	7,600	-	7,600
Miscellaneous	-	5,840	149	5,989
Other professional fees	-	-	-	-
Personnel	95,854	174,230	111,232	381,316
Photography	-	-	1,208	1,208
Postage and mailing	-	712	-	712
Printing	-	2,205	8,741	10,946
Professional development	-	3,435	-	3,435
Rent/Rental equipment	-	20,000	6,732	26,732
Scholarships	1,369,142	-	-	1,369,142
Software and office equipment	-	22,221	-	22,221
Supplies	-	2,731	3,899	6,630
Travel	-	1,292	-	1,292
Web page development	-	1,620	-	1,620
Total expenses	\$ 2,102,267	303,369	264,698	2,670,334

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2015	2014
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (2,242,758)	3,831,697
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	322	611
Bad debt recovery	-	(20,000)
Net realized and unrealized gains on investments	2,490,764	(2,179,067)
Change in value of annuity payable	3,349	4,184
Change in value in beneficial interest in remainder trusts	36,011	(2,793)
Change in value in beneficial interest in perpetual trusts	192,454	(82,188)
Contributions restricted for endowment	(15,000)	(4,000)
Changes in operating assets and liabilities		
Pledges receivable	(3,500)	76,000
Prepaid expenses and other current assets	(8,581)	(14,020)
Accounts payable and accrued expenses	572	(550)
Payable to State College of Florida, Manatee-Sarasota	73,722	2,881
Deferred revenue	457	(26,331)
Net cash provided by operating activities	<u>527,812</u>	<u>1,586,424</u>
Cash flows from investing activities		
Purchases of investments	(19,361,711)	(19,361,711)
Sale of investments	18,377,026	17,754,398
Net cash used in investing activities	<u>(984,685)</u>	<u>(1,607,313)</u>
Cash flows from financing activities		
Payments on annuity agreements	(9,800)	(10,475)
Proceeds from contributions restricted for endowment	15,000	4,000
Net cash provided by (used in) financing activities	<u>5,200</u>	<u>(6,475)</u>
Decrease in cash	(451,673)	(27,364)
Cash at beginning of year	<u>953,150</u>	<u>980,514</u>
Cash at end of year	<u>\$ 501,477</u>	<u>953,150</u>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization and Nature of Activities: The State College of Florida Foundation, Inc. (the “Foundation”) is a not-for-profit corporation organized in 1982 under the laws of the State of Florida. The Foundation operates exclusively for charitable and educational purposes within the meaning of 501(c)(3) of the Internal Revenue Code. The Foundation’s mission is to provide aid in the form of money and other forms of property and services to the State College of Florida, Manatee-Sarasota (the “College”). The Foundation also promotes education and encourages learning and dissemination of information about which the College is involved.

Basis of Accounting and Presentation: The Foundation follows the reporting requirements for not-for-profit organizations under generally accepted accounting principles in the United States of America. Under such principles, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Foundation considers amounts on hand, in checking accounts and money market accounts as cash unless held for the purpose of reinvestment.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Investment income includes interest and dividend income, net of fees, and is included in the statement of activities separate from gains and losses. Investment fees were \$230,075 and \$185,039 for the years ended September 30, 2015 and 2014, respectively.

Pledges Receivable: Promises to give are recorded at net realizable value. Unconditional promises to give are recognized as contribution revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. The allowance for doubtful accounts were \$0 and \$19,000, respectively, at September 30, 2015 and 2014.

Property and Equipment: Property and equipment is stated at cost or estimated fair market value if donated. Depreciation is provided on the straight-line method ranging from five to seven years. The policy of the Board of Directors is to capitalize any fixed asset purchased or donated with a value in excess of \$1,000 and with a useful life exceeding one year.

Beneficial Interest in Remainder and Perpetual Trusts: The Foundation has received several donations made directly to third parties which are held either for a certain period of time or in perpetuity for the Foundation’s benefit. Annual earnings are provided to the Foundation which may be purpose restricted by the donor. The assets of the trusts are invested in a combination of

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cash equivalents and marketable debt and equity securities with readily determinable fair values. The Foundation's percentage interest of each trust is reported at their fair values in the statement of financial position. The change in value of these trusts is reported as changes in value in beneficial interest in remainder, or perpetual, trusts and are included in the statement of activities.

Deferred Revenue: Contributions, fees and other revenue sources collected in advance of special events that are held subsequent to year end are deferred and recognized in the year of the function.

Annuity Liabilities: The Foundation has been named remainderman in four irrevocable charitable gift annuities. An annuity liability has been recorded at the present value of expected future cash flows to be paid to the annuity beneficiary at discount rates ranging from approximately 5% to 8%.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 reported in the statement of activities as net assets released from restrictions.

In-kind Donations: The Foundation recognizes in-kind donations which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Bequests and Trusts: The proceeds of bequests and trusts are recorded as revenue when clear title is established and the proceeds are clearly measurable.

Functional Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status: The Foundation is generally exempt from Federal income and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Foundation is required to pay income taxes on the excess of revenues derived from activities unrelated to the tax exempt purpose of the Foundation over the related expenses.

The Foundation follows Accounting Standard Codification 740 related to accounting for uncertainty in income taxes. This provision requires all tax positions that meet a more-likely-than-not recognition threshold at the effective date are recognized (or continue to be recognized)

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

upon adoption. Management has reviewed their tax positions and concluded no liability or uncertain tax positions, or any interest or penalties related to uncertain tax positions, should be recognized in the Foundation's financial statements.

The Foundation files their income tax returns in the United States of America. With few exceptions, the Foundation's tax returns are subject to income tax examination by tax authorities for tax years ending on or after September 30, 2012.

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

Board Designated Net Assets: At September 30, 2015 and 2014, \$327,023 and \$110,058, respectively, of net assets have been designated by the board for instructional equipment.

Subsequent Events: The Foundation has evaluated all subsequent events through December 17, 2015, the date the financial statements were available to be issued.

NOTE B: INVESTMENTS

The Foundation engaged the services of a nationally recognized financial advisor (SEI Investments, Inc.) which specializes in asset management for not-for-profits. Investments are stated at fair value and are comprised of the following as of September 30:

	<u>2015</u>	<u>2014</u>
U. S. equities	\$ 19,094,773	21,091,603
Alternative investments	7,139,300	6,344,734
Fixed income	9,670,163	8,818,698
International	11,141,551	12,233,608
Cash and cash equivalents	<u>396,398</u>	<u>459,621</u>
Total	<u>\$ 47,442,185</u>	<u>48,948,264</u>

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C: PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give. Pledges which are due in excess of one year are discounted to net present value using a discount rate of 4%. Pledges receivable are due to be collected as follows as of September 30:

	<u>2015</u>	<u>2014</u>
Gross amounts due in		
One year	\$ -	500
One to five years	-	19,000
More than five years	100,000	100,000
Total gross pledges	<u>100,000</u>	<u>119,500</u>
Less allowance	(3,831)	(19,000)
Less discount to present value	<u>-</u>	<u>(7,831)</u>
 Total	 <u><u>\$ 96,169</u></u>	 <u><u>92,669</u></u>

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30:

	<u>2015</u>	<u>2014</u>
Computers	\$ 31,840	31,840
Software	30,749	30,749
Office equipment	11,020	11,020
Total property and equipment	<u>73,609</u>	<u>73,609</u>
Less accumulated depreciation	<u>(73,293)</u>	<u>(72,971)</u>
 Total	 <u><u>\$ 316</u></u>	 <u><u>638</u></u>

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E: BENEFICIAL INTEREST IN REMAINDER TRUSTS

Donors have established funds in trust with specified distributions to be made to the Foundation over the trust's term. Upon termination of the trust, the Foundation will receive the remaining assets within the trust, or a percentage of these assets if there are multiple beneficiaries. Beneficial interest in remainder trusts, recorded at fair market value are as follows as of September 30:

	<u>2015</u>	<u>2014</u>
██████████ The Foundation is one of four beneficiaries and will collect 25% of principal in the year 2023. The trust currently pays quarterly distributions of income to the Foundation.	\$ 169,398	188,721
██████████ Upon death of the income beneficiary, the Foundation will receive 50% of the remaining principal which is donor restricted for nursing scholarships. The trust currently pays distributions of income to the Foundation.	47,738	51,128
██████████ Upon death of the income beneficiary, the Foundation will receive 100% of the remaining principal which is donor restricted for transfer student scholarships.	<u>102,128</u>	<u>115,426</u>
Total beneficial interest in remainder trusts	<u>\$ 319,264</u>	<u>355,275</u>

NOTE F: BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Donors have established funds in trust in which the principal is held in perpetuity. Each fund has established its own percentages of principal being held for the benefit of the Foundation. Earning distributions are made to the Foundation as established within the trust agreement. Beneficial interest in perpetual trusts recorded at fair market value, are as follows as of September 30:

	<u>2015</u>	<u>2014</u>
██████████ Pays annual income to the Foundation restricted for scholarships.	\$ 294,411	325,079
██████████ Pays 25% of the residuary amount to the Foundation restricted for music scholarships and equipment.	550,311	609,503
██████████ Pays 10% of 70% of the trust assets to the Foundation restricted for the arts and library departments.	97,995	107,352
██████████ Pays annual income to the Foundation without restriction.	34,853	37,877
██████████ Pays annual income to the Foundation restricted for enhancements.	<u>1,137,954</u>	<u>1,228,167</u>
	<u>\$ 2,115,524</u>	<u>2,307,978</u>

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G: RELATIONSHIP WITH THE COLLEGE

The Foundation recognizes certain in-kind donations received directly from the College. The fair market values of these donations have been reflected as both unrestricted contributions or special events and program services expense in the statement of activities as follows as of September 30:

	<u>2015</u>	<u>2014</u>
Donated salaries and contract services	\$ 346,532	309,059
Donated supplies, printing, duplicating, travel, postage, rent, and other	<u>27,592</u>	<u>25,828</u>
	<u>\$ 374,124</u>	<u>334,887</u>

The Foundation made contributions and payments for services to the College for the following purposes as of September 30:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 1,269,465	1,262,610
Enhancements	379,065	287,366
Salaries, contract services and other	<u>115,904</u>	<u>142,093</u>
	<u>\$ 1,764,434</u>	<u>1,692,069</u>

Of the amounts above, the Foundation had an outstanding balance payable to the College of \$110,580 and \$36,858 at September 30, 2015 and 2014, respectively.

The above related party transactions are not necessarily indicative of the terms and amounts that would have been incurred had a comparable transaction been entered into with independent parties.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following restrictions as of September 30:

	<u>2015</u>	<u>2014</u>
Athletics	\$ 150,619	169,390
Nursing	4,208,151	4,468,794
Health sciences	2,052,811	2,327,226
Public services	1,900,084	1,922,765
Minority students	411,974	446,248
Business and communication	125,659	132,052
High school seniors and articulation	1,872,546	2,066,734
AA/College transfers	3,690,373	3,932,488
Undesignated scholarships	10,961,389	11,601,209
General memorials	163,795	168,484
Loan programs	372,982	383,340
Arts	509,437	538,933
Instructional equipment	3,659,164	3,698,528
Cultural	173,770	166,119
Awards	197,931	209,138
Other purposes	453,635	504,904
	<u>\$ 30,904,320</u>	<u>32,736,352</u>

NOTE I: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following restrictions as of September 30:

	<u>2015</u>	<u>2014</u>
Nursing	\$ 1,908,790	1,908,790
Health sciences	1,925,000	1,925,000
Public services	150,000	150,000
Minority students	144,732	144,732
High school seniors and articulation	1,250,288	1,250,288
AA/College transfers	2,015,504	2,046,172
Undesignated scholarships	2,345,422	2,310,472
Fine and performing arts	628,664	687,856
Instructional equipment	1,460,692	1,550,905
Other purposes	217,394	229,775
	<u>\$ 12,046,486</u>	<u>12,203,990</u>

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J: CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances at a financial institution located in Bradenton, Florida. Accounts at this financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) currently up to \$250,000 per customer. The balances of these accounts at times may exceed Federally insured limits. At September 30, 2015, the Foundation exceeded the insured limit by approximately \$274,000.

Investments consist primarily of financial instruments including cash equivalents, equity and fixed income securities, international securities, and alternative investments. These financial instruments may subject the Foundation to concentrations of credit risk, as, from time to time, balances may exceed amounts insured by the FDIC or the Securities Investor Protection Corporation (SIPC), the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

NOTE K: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles in the United States of America establishes a hierarchy for which assets and liabilities must be grouped, based on significant levels of inputs (assumptions that market participants would use in pricing an asset or liability) as follows:

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Significant inputs to the valuation model are unobservable.

The following assets are required to be measured at fair market value on a recurring basis and the classification within the hierarchy as of September 30, 2015 and 2014, is as follows:

	Level 1	Level 2	Level 3	Total at September 30, 2015
Investments				
U. S. equities	\$ 19,094,773	-	-	19,094,773
Alternative investments	-	-	7,139,300	7,139,300
Fixed income	9,670,163	-	-	9,670,163
International	11,141,551	-	-	11,141,551
Cash and cash equivalents	396,398	-	-	396,398
Total investments	40,302,885	-	7,139,300	47,442,185
Beneficial interest in remainder trusts	279,409	-	39,855	319,264
Beneficial interest in perpetual trusts	1,969,432	-	146,092	2,115,524
	<u>\$ 42,551,726</u>	<u>-</u>	<u>7,325,247</u>	<u>49,876,973</u>

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE K: FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total at September 30, 2014
Investments				
U. S. equities	\$ 21,091,603	-	-	21,091,603
Alternative investments	-	-	6,344,734	6,344,734
Fixed income	8,818,698	-	-	8,818,698
International	12,233,608	-	-	12,233,608
Cash and cash equivalents	459,621	-	-	459,621
Total investments	42,603,530	-	6,344,734	48,948,264
Beneficial interest in remainder trusts	303,993	-	51,282	355,275
Beneficial interest in perpetual trusts	2,128,561	-	179,417	2,307,978
	<u>\$ 45,036,084</u>	<u>-</u>	<u>6,575,433</u>	<u>51,611,517</u>

The fair value of the Foundation's Level 1 financial assets is based on quoted market prices of the identical security. The fair value of the Foundation's Level 2 financial assets is obtained from readily available pricing sources for the identical underlying security that may not be actively traded. The Foundation's Level 3 financial assets consist of an alternative investment in the SEI Offshore Opportunity Fund II, Ltd., SEI Core Property Fund LP, SEI Special Situations Fund, Ltd., SEI Structured Credit Fund, and real estate held by trustees. The value of the Level 3 investments and assets is based on unobservable inputs (assumptions that market participants would use in pricing an asset) that reflect assumptions based on the best information available. As of September 30, 2015 and 2014, the Foundation did not have any liabilities measured at fair value.

The following is a reconciliation of the investments in which significant unobservable inputs (Level 3) were used in determining value as of September 30:

	2015	2014
Fair value, beginning of year	\$ 6,575,433	5,730,821
Net realized and unrealized gains	794,569	824,597
Change in value of split-interest agreements	(44,755)	20,015
Fair value, end of year	<u>\$ 7,325,247</u>	<u>6,575,433</u>

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE L: ENDOWMENTS

The Foundation holds various endowments which are either donor restricted or board designated. The Board of Trustees of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of the gift 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Foundation 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 Foundation;
7. The investment policies of the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund, provide consistent long-term income returns, and protect the Foundation against long-term inflation trends. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The endowment net asset composition is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total at September 30, 2015
Donor-restricted endowment funds	\$ -	24,118,526	12,046,485	36,165,011
Board-designated endowment funds	-	-	-	-
	\$ -	24,118,526	12,046,485	36,165,011

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE L: ENDOWMENTS (CONTINUED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total at September 30, 2014
Donor-restricted endowment funds	\$ -	26,030,300	12,203,990	38,234,290
Board-designated endowment funds	-	-	-	-
	<u>\$ -</u>	<u>26,030,300</u>	<u>12,203,990</u>	<u>38,234,290</u>

The changes in the Foundation's endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2013	\$ -	22,839,158	12,117,802	34,956,960
Investment return				
Investment income	12,060	1,627,338	-	1,639,398
Net appreciation (realized and unrealized)	10,495	1,612,988	-	1,623,483
Total investment return	22,555	3,240,326	-	3,262,881
Contributions	(1,500)	335,330	4,000	337,830
Change in value of split interest agreements	-	644	82,188	82,832
Transfers	1,214,624	(1,225,034)	-	(10,410)
Reclassification	-	839,876	-	839,876
Amounts appropriated for expenditure	(1,235,679)	-	-	(1,235,679)
Endowment net assets, September 30, 2014	-	26,030,300	12,203,990	38,234,290
Investment return				
Investment income	7,560	804,284	-	811,844
Net appreciation (realized and unrealized)	(20,296)	(1,739,655)	-	(1,759,951)
Total investment return	(12,736)	(935,371)	-	(948,107)
Contributions	-	434,236	15,000	449,236
Change in value of split interest agreements	-	(37,799)	(192,454)	(230,253)
Transfers	1,395,902	(1,372,840)	19,949	43,011
Amounts appropriated for expenditure	(1,383,166)	-	-	(1,383,166)
Endowment net assets, September 30, 2015	<u>\$ -</u>	<u>24,118,526</u>	<u>12,046,485</u>	<u>36,165,011</u>

OTHER INDEPENDENT AUDITOR'S REPORT

**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***

Board of Directors
State College of Florida Foundation, Inc.
Bradenton, 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 State College of Florida Foundation, Inc. (the "Foundation"), a direct support organization and component unit of State College of Florida, Manatee-Sarasota, which comprise the statement of financial position as of September 30, 2015, 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 December 17, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
December 17, 2015