

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

FINANCIAL STATEMENTS

Years Ended September 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the State College of Florida Foundation, Inc. (the "Foundation") as of September 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 14, 2013

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

	September 30,	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 693,914	768,709
Investments	39,621,626	34,624,390
Pledges receivable, net	332,321	300,671
Prepaid expenses and other current assets	18,994	12,503
Property and equipment, net	2,140	3,376
Beneficial interest in remainder trusts	332,352	298,215
Beneficial interest in perpetual trusts	2,170,808	1,944,134
TOTAL ASSETS	\$ 43,172,155	37,951,998
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,753	2,935
Due to State College of Florida, Manatee-Sarasota	69,112	47,692
Deferred revenue	99,863	107,902
Annuity liabilities	74,180	95,443
Total liabilities	245,908	253,972
Net assets		
Unrestricted	5,942,578	4,703,404
Temporarily restricted	25,070,074	20,904,775
Permanently restricted	11,913,595	12,089,847
Total net assets	42,926,247	37,698,026
TOTAL LIABILITIES AND NET ASSETS	\$ 43,172,155	37,951,998

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Investment income	\$ 266,731	611,786	--	878,517
Net realized and unrealized gains	1,460,602	3,485,841	--	4,946,443
Special events	425,447	--	--	425,447
Other income	23,867	--	--	23,867
Total revenues	<u>2,176,647</u>	<u>4,097,627</u>	<u>--</u>	<u>6,274,274</u>
Support				
Individuals, corporations, foundations and others	287,252	1,343,941	202,000	1,833,193
State of Florida	1,100	50,000	--	51,100
Total support	<u>288,352</u>	<u>1,393,941</u>	<u>202,000</u>	<u>1,884,293</u>
Net assets released from restriction	<u>2,272,004</u>	<u>(2,272,004)</u>	<u>--</u>	<u>--</u>
Total revenues and support	4,737,003	3,219,564	202,000	8,158,567
Expenses				
Program services	2,526,347	--	--	2,526,347
General and administrative	341,623	--	--	341,623
Fund-raising	317,325	--	--	317,325
Total expenses	<u>3,185,295</u>	<u>--</u>	<u>--</u>	<u>3,185,295</u>
Increase in net assets before change in value of annuity liabilities and value in beneficial interest in remainder and perpetual trusts	1,551,708	3,219,564	202,000	4,973,272
Change in value of annuity liabilities	(1,731)	(4,132)	--	(5,863)
Change in value in beneficial interest in remainder trusts	--	34,138	--	34,138
Change in value in beneficial interest in perpetual trusts	--	--	226,674	226,674
Net increase in net assets	1,549,977	3,249,570	428,674	5,228,221
Net assets, beginning of the year	4,703,404	20,904,775	12,089,847	37,698,026
Reclassification of net asset restrictions	<u>(310,803)</u>	<u>915,729</u>	<u>(604,926)</u>	<u>--</u>
Net assets, end of the year	<u>\$ 5,942,578</u>	<u>25,070,074</u>	<u>11,913,595</u>	<u>42,926,247</u>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Investment income	\$ 435,167	872,113	--	1,307,280
Net realized and unrealized losses	(597,182)	(1,385,266)	--	(1,982,448)
Special events	440,588	--	--	440,588
Other income	24,451	--	--	24,451
Total revenues	<u>303,024</u>	<u>(513,153)</u>	<u>--</u>	<u>(210,129)</u>
Support				
Individuals, corporations, foundations and others	257,294	1,464,241	2,385	1,723,920
State of Florida	25,374	31,757	--	57,131
Total support	<u>282,668</u>	<u>1,495,998</u>	<u>2,385</u>	<u>1,781,051</u>
Net assets released from restriction	<u>2,219,215</u>	<u>(2,219,215)</u>	<u>--</u>	<u>--</u>
Total revenues and support	2,804,907	(1,236,370)	2,385	1,570,922
Expenses				
Program services	2,499,965	--	--	2,499,965
General and administrative	343,927	--	--	343,927
Fund-raising	333,966	--	--	333,966
Total expenses	<u>3,177,858</u>	<u>--</u>	<u>--</u>	<u>3,177,858</u>
(Decrease) increase in net assets before change in value of annuity liabilities and value in beneficial interest in remainder and perpetual trusts	(372,951)	(1,236,370)	2,385	(1,606,936)
Change in value of annuity liabilities	(2,007)	(5,673)	--	(7,680)
Change in value in beneficial interest in remainder trusts	--	(23,587)	--	(23,587)
Change in value in beneficial interest in perpetual trusts	--	--	(121,006)	(121,006)
Net decrease in net assets	(374,958)	(1,265,630)	(118,621)	(1,759,209)
Net assets, beginning of the year	5,078,362	22,156,467	12,222,406	39,457,235
Transfers of net asset restrictions	<u>--</u>	<u>13,938</u>	<u>(13,938)</u>	<u>--</u>
Net assets, end of the year	<u>\$ 4,703,404</u>	<u>20,904,775</u>	<u>12,089,847</u>	<u>37,698,026</u>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2012

	Program Services	General and Administrative	Fund- Raising	Total
Alumni/Friends magazine	\$ --	40,697	--	40,697
Annual fund	--	12,592	--	12,592
Audit and accounting	--	15,500	--	15,500
Bank charges	--	4,880	--	4,880
Community Support	--	6,532	--	6,532
Contract services	--	604	75,062	75,666
Depreciation	--	1,236	--	1,236
Donor recognition	--	11,107	--	11,107
Enhancements	1,111,961	--	--	1,111,961
Facilities and catering	--	--	28,280	28,280
Fund development planning	--	9,019	--	9,019
Institutional support	17,856	--	--	17,856
Insurance	--	2,632	--	2,632
Meetings	--	4,165	--	4,165
Memberships and dues	--	969	--	969
Miscellaneous	--	1,913	210	2,123
Other professional fees	--	450	--	450
Personnel	78,089	198,723	202,982	479,794
Photography	--	--	950	950
Postage and mailing	--	171	--	171
Printing	--	4,475	7,329	11,804
Professional development	--	1,902	--	1,902
Rental equipment	--	130	--	130
Scholarships	1,318,441	--	--	1,318,441
Software and office equipment	--	16,758	--	16,758
Supplies	--	2,916	2,512	5,428
Travel	--	1,701	--	1,701
Web page development	--	2,551	--	2,551
Total expenses	\$ 2,526,347	341,623	317,325	3,185,295

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2011

	Program Services	General and Administrative	Fund- Raising	Total
Alumni development	\$ --	10,855	--	10,855
Alumni/Friends magazine	--	20,324	--	20,324
Audit and accounting	--	15,360	--	15,360
Bank charges	--	5,046	--	5,046
Contract services	--	--	90,793	90,793
Depreciation	--	1,541	--	1,541
Donor recognition	--	4,833	5,225	10,058
Enhancements	1,073,354	--	--	1,073,354
Equipment maintenance	--	1,520	--	1,520
Facilities and catering	--	--	5,884	5,884
Fund development planning	--	4,269	--	4,269
Institutional support	15,803	--	--	15,803
Insurance	--	3,494	--	3,494
Meetings	--	8,951	--	8,951
Memberships and dues	--	1,095	--	1,095
Miscellaneous	--	2,003	997	3,000
Other professional fees	--	125	25	150
Personnel	97,580	227,502	222,025	547,107
Photography	--	--	450	450
Postage and mailing	--	155	1,166	1,321
Printing	--	2,596	4,781	7,377
Professional development	--	3,085	--	3,085
Professional publications	--	662	--	662
Scholarships	1,313,228	--	--	1,313,228
Software and office equipment	--	18,620	--	18,620
Supplies	--	6,071	2,620	8,691
Travel	--	4,266	--	4,266
Web page development	--	1,554	--	1,554
Total expenses	\$ 2,499,965	343,927	333,966	3,177,858

See accompanying notes.

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

	Year Ended September 30,	
	2012	2011
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 5,228,221	(1,759,209)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities		
Depreciation	1,236	1,541
Net realized and unrealized (gains) losses on investments	(4,946,443)	1,982,448
Change in value of annuity liabilities	5,863	7,680
Change in value in beneficial interest in remainder trusts	(34,137)	23,587
Change in value in beneficial interest in perpetual trusts	(226,674)	121,006
Contributions restricted for endowment	(202,000)	(2,385)
Changes in operating assets and liabilities		
Pledges receivable	(31,650)	39,528
Prepaid expenses and other current assets	(6,491)	(4,438)
Accounts payable and accrued expenses	(182)	(7,155)
Payable to State College of Florida, Manatee-Sarasota	21,420	(464,407)
Deferred revenue	(8,039)	14,422
Net cash used by operating activities	(198,876)	(47,382)
Cash flows from investing activities		
Purchases of investments	(17,260,090)	(27,591,474)
Sale of investments	17,209,297	26,752,656
Net cash used by investing activities	(50,793)	(838,818)
Cash flows from financing activities		
Payments on annuity agreements	(27,126)	(27,126)
Proceeds from contributions restricted for endowment	202,000	2,385
Net cash provided (used) by financing activities	174,874	(24,741)
Decrease in cash	(74,795)	(910,941)
Cash at beginning of year	768,709	1,679,650
Cash at end of year	\$ 693,914	768,709

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: unrestricted net assets, temporarily restricted net assets, and 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 \$103,009 and \$129,220 for the years ended September 30, 2012 and 2011, 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. At September 30, 2012 and 2011, all pledge receivables are considered by management to be fully collectible.

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.

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On October 1, 2009 (the effective date), the Foundation adopted the provisions of 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) 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, 2009.

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.

Reclassifications: Certain prior year amounts have been reclassified to conform to current year presentation.

Subsequent Events: The Foundation has evaluated all subsequent events through January 14, 2013, 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>2012</u>	<u>2011</u>
U. S. equities	\$ 17,867,314	15,865,237
Alternative investments	5,576,203	1,778,258
Fixed income	8,289,584	10,196,060
International	6,804,926	5,245,767
Cash and cash equivalents	<u>1,083,599</u>	<u>1,539,068</u>
Total	<u>\$ 39,621,626</u>	<u>34,624,390</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>2012</u>	<u>2011</u>
Gross amounts due in		
One year	\$ 195,000	105,000
One to five years	109,000	159,000
More than five years	<u>100,000</u>	<u>100,000</u>
Total gross pledges	404,000	364,000
Less discount to present value	<u>(71,679)</u>	<u>(63,329)</u>
 Total	 <u>\$ 332,321</u>	 <u>300,671</u>

NOTE D: PROPERTY AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Computers	\$ 31,840	31,840
Software	30,749	30,749
Office equipment	<u>11,020</u>	<u>11,020</u>
Total property and equipment	73,609	73,609
Less accumulated depreciation	<u>(71,469)</u>	<u>(70,233)</u>
 Total	 <u>\$ 2,140</u>	 <u>3,376</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>2012</u>	<u>2011</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.	\$ 170,010	145,180
██████████ 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.	48,410	43,414
██████████ Upon death of the income beneficiary, the Foundation will receive 100% of the remaining principal which is donor restricted for transfer student scholarships.	<u>113,932</u>	<u>109,621</u>
Total beneficial interest in remainder trusts	<u><u>\$ 332,352</u></u>	<u><u>298,215</u></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>2012</u>	<u>2011</u>
██████████ Pays annual income to the Foundation restricted for scholarships.	\$ 319,678	293,175
██████████ Pays 25% of the residuary amount to the Foundation restricted for music scholarships and equipment.	565,995	503,668
██████████ Pays 10% of 70% of the trust assets to the Foundation restricted for the arts and library departments.	103,633	92,157
██████████ Pays annual income to the Foundation without restriction.	34,896	30,542
██████████ Pays annual income to the Foundation restricted for enhancements.	<u>1,146,606</u>	<u>1,024,592</u>
	<u><u>\$ 2,170,808</u></u>	<u><u>1,944,134</u></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>2012</u>	<u>2011</u>
Donated salaries and contract services	\$ 331,404	382,783
Donated supplies, printing, duplicating, travel and postage	<u>5,812</u>	<u>10,471</u>
	<u>\$ 337,216</u>	<u>393,254</u>

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

	<u>2012</u>	<u>2011</u>
Scholarships	\$ 951,244	1,259,973
Enhancements	771,184	786,621
Salaries, contract services and other	<u>152,390</u>	<u>167,306</u>
	<u>\$ 1,874,818</u>	<u>2,213,900</u>

Of the amounts above, the Foundation had an outstanding balance payable to the College of \$69,112 and \$47,692 at September 30, 2012 and 2011, 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>2012</u>	<u>2011</u>
Athletics	\$ 120,424	111,576
Nursing	3,591,413	3,068,031
Health sciences	1,626,667	1,196,515
Public services	601,302	563,449
Minority students	369,921	267,851
Business and communication	122,104	107,524
High school seniors and articulation	1,722,382	1,498,651
AA/College transfers	3,065,171	2,409,923
Undesignated scholarships	9,749,511	8,252,776
General memorials	141,578	132,876
Loan programs	360,672	340,889
Arts	464,093	411,367
Instructional equipment	2,467,838	2,158,655
Cultural	163,609	134,037
Other purposes	503,389	250,655
	<u>\$ 25,070,074</u>	<u>20,904,775</u>

NOTE I: PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Nursing	\$ 1,908,790	1,983,790
Health sciences	1,925,000	1,954,112
Public services	150,000	162,500
Minority students	144,732	232,210
High school seniors and articulation	1,250,288	1,261,724
AA/College transfers	2,040,771	2,099,362
Undesignated scholarships	2,157,246	2,355,085
Fine and performing arts	644,348	582,154
Instructional equipment	1,469,344	1,147,330
Other purposes	223,076	311,580
	<u>\$ 11,913,595</u>	<u>12,089,847</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, 2012, the Foundation exceeded the insured limit by approximately \$439,000.

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, 2012 and 2011, is as follows:

	Level 1	Level 2	Level 3	Total at September 30, 2012
Investments				
U. S. equities	\$ 17,867,314	--	--	17,867,314
Alternative investments	--	--	5,576,203	5,576,203
Fixed income	8,289,584	--	--	8,289,584
International	6,804,926	--	--	6,804,926
Cash and cash equivalents	1,083,599	--	--	1,083,599
Total investments	34,045,423	--	5,576,203	39,621,626
Beneficial interest in remainder trusts	321,247	--	11,105	332,352
Beneficial interest in perpetual trusts	2,023,733	--	147,075	2,170,808
	<u>\$ 36,390,403</u>	<u>--</u>	<u>5,734,383</u>	<u>42,124,786</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, 2011
Investments				
U. S. equities	\$ 15,865,237	--	--	15,865,237
Alternative investments	--	--	1,778,258	1,778,258
Fixed income	10,196,060	--	--	10,196,060
International	5,245,767	--	--	5,245,767
Cash and cash equivalents	1,539,068	--	--	1,539,068
Total investments	32,846,132	--	1,778,258	34,624,390
Beneficial interest in remainder trusts	283,823	--	14,392	298,215
Beneficial interest in perpetual trusts	1,857,180	--	86,954	1,944,134
	<u>\$ 34,987,135</u>	<u>--</u>	<u>1,879,604</u>	<u>36,866,739</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, 2012 and 2011, 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:

	2012	2011
Fair value, beginning of year	\$ 1,879,604	1,811,065
Purchase of investments	3,062,664	--
Net realized and unrealized gains	735,281	57,775
Change in value of split-interest agreements	56,834	10,764
Fair value, end of year	<u>\$ 5,734,383</u>	<u>1,879,604</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, 2012
Donor-restricted endowment funds	\$ --	18,104,700	11,913,595	30,018,295
Board-designated endowment funds	551,794	--	--	551,794
	<u>\$ 551,794</u>	<u>18,104,700</u>	<u>11,913,595</u>	<u>30,570,089</u>

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

NOTE L: ENDOWMENTS (CONTINUED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total at September 30, 2011
Donor-restricted endowment funds	\$ --	13,997,520	12,089,847	26,087,367
Board-designated endowment funds	781,189	--	--	781,189
	<u>\$ 781,189</u>	<u>13,997,520</u>	<u>12,089,847</u>	<u>26,868,556</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2010	\$ 767,338	15,181,663	12,222,406	28,171,407
Investment return:				
Investment income	6,273	871,465	--	877,738
Net appreciation (realized and unrealized)	(21,560)	(1,384,241)	--	(1,405,801)
Total investment return	(15,287)	(512,776)	--	(528,063)
Contributions	--	427,905	2,385	430,290
Change in value of split interest agreements	--	(29,259)	(121,006)	(150,265)
Transfers	1,083,951	(1,070,013)	(13,938)	--
Amounts appropriated for expenditure	(1,061,867)	--	--	(1,061,867)
Endowment net assets, September 30, 2011	774,135	13,997,520	12,089,847	26,861,502
Investment return:				
Investment income	4,218	611,382	--	615,600
Net appreciation (realized and unrealized)	24,976	3,483,412	--	3,508,388
Total investment return	29,194	4,094,794	--	4,123,988
Contributions	4,760	363,481	202,000	570,241
Change in value of split interest agreements	--	30,006	226,674	256,680
Transfers	986,027	(381,101)	(604,926)	--
Amounts appropriated for expenditure	(1,242,322)	--	--	(1,242,322)
Endowment net assets, September 30, 2012	<u>\$ 551,794</u>	<u>18,104,700</u>	<u>11,913,595</u>	<u>30,570,089</u>

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

NOTE M: RECLASSIFICATION OF NET ASSET RESTRICTIONS

Effective July 1, 2012, the State of Florida adopted FUPMIFA. The adoption of FUPMIFA required the reclassification of net assets from unrestricted to temporarily restricted in the year of adoption, which for the Foundation was the year ending September 30, 2012. The amount reclassified from unrestricted to temporarily restricted in regards to the adoption of FUPMIFA was \$312,310. Additionally, based on management's reassessment of the nature of initial donations which were previously recognized as permanently restricted, net assets of \$603,419 and \$1,507 were reclassified to temporarily restricted and unrestricted net assets respectively.

SUPPLEMENTAL INFORMATION

**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 the financial statements of the State College of Florida Foundation, Inc. (the "Foundation") as of and for the year ended September 30, 2012, and have issued our report thereon dated January 14, 2013. 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.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, audit committee, management, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 14, 2013