

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities, Year Ended September 30, 2018	4
Statement of Activities, Year Ended September 30, 2017	5
Statement of Functional Expenses, Year Ended September 30, 2018	6
Statement of Functional Expenses, Year Ended September 30, 2017	7
Statements of Cash Flows	8
Notes to Combined Financial Statements	9 - 21
 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 <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	
	22 and 23



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, 2018 and 2017, 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, 2018 and 2017, 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, 2018, 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
December 17, 2018

STATE COLLEGE OF FLORIDA FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash	\$ 766,339	\$ 276,093
Investments	61,210,852	57,960,904
Pledges receivable, net	96,169	96,169
Prepaid expenses and other current assets	42,184	40,557
Beneficial interest in remainder trusts	337,954	338,372
Beneficial interest in perpetual trusts	2,251,913	2,297,390
TOTAL ASSETS	\$ 64,705,411	\$ 61,009,485
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 85,421	\$ 6,924
Due to State College of Florida, Manatee-Sarasota	117,347	76,129
Deferred revenue	97,330	83,235
Annuities payable	24,247	35,609
Total Liabilities	324,345	201,897
NET ASSETS		
Without donor restrictions		
Undesignated	8,638,040	8,161,880
Designated by the board for future projects	1,567,283	1,286,267
	10,205,323	9,448,147
With donor restrictions		
Time or purpose	41,986,867	39,127,088
Perpetual	12,188,876	12,232,353
	54,175,743	51,359,441
TOTAL NET ASSETS	64,381,066	60,807,588
TOTAL LIABILITIES AND NET ASSETS	\$ 64,705,411	\$ 61,009,485

See Notes to Financial Statements

STATE COLLEGE OF FLORIDA FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Investment income	\$ 442,718	\$ 1,893,720	\$ 2,336,438
Net realized and unrealized gains	354,257	1,765,419	2,119,676
Special events	767,740	-	767,740
Grants	-	231,336	231,336
Other income	3,066	-	3,066
Total Revenues	1,567,781	3,890,475	5,458,256
SUPPORT			
Individuals, corporations, foundations, and others	134,328	2,045,057	2,179,385
Total Support	134,328	2,045,057	2,179,385
Net assets released from restriction	3,076,259	(3,076,259)	-
Total Revenues and Support	4,778,368	2,859,273	7,637,641
EXPENSES			
Program services	3,258,990	-	3,258,990
General and administrative	398,134	-	398,134
Fund-raising	362,707	-	362,707
Total Expenses	4,019,831	-	4,019,831
Increase in net assets before change in value of annuities payable and value in beneficial interest in remainder and perpetual trusts	758,537	2,859,273	3,617,810
Change in value of annuities payable	(1,361)	2,924	1,563
Change in value in beneficial interest in remainder trusts	-	(418)	(418)
Change in value in beneficial interest in perpetual trusts	-	(45,477)	(45,477)
CHANGE IN NET ASSETS	757,176	2,816,302	3,573,478
Net assets, beginning of the year	9,448,147	51,359,441	60,807,588
Net assets, end of the year	\$ 10,205,323	\$ 54,175,743	\$ 64,381,066

See Notes to Financial Statements

STATE COLLEGE OF FLORIDA FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Investment income	\$ 272,867	\$ 1,008,062	\$ 1,280,929
Net realized and unrealized gains	1,193,222	4,865,879	6,059,101
Special events	651,592		651,592
Grants		187,000	187,000
Other income	627,533	-	627,533
Total Revenues	2,745,214	6,060,941	8,806,155
SUPPORT			
Individuals, corporations, foundations, and others	79,525	1,814,640	1,894,165
Total Support	79,525	1,814,640	1,894,165
Net assets released from restriction	2,176,984	(2,176,984)	-
Total Revenues and Support	5,001,723	5,698,597	10,700,320
EXPENSES			
Program services	3,179,364	-	3,179,364
General and administrative	624,340	-	624,340
Fund-raising	232,420	-	232,420
Total Expenses	4,036,124	-	4,036,124
Increase in net assets before change in value of annuities payable and value in beneficial interest in remainder and perpetual trusts	965,599	5,698,597	6,664,196
Change in value of annuities payable	(1,431)	(985)	(2,416)
Change in value in beneficial interest in remainder trusts	-	11,686	11,686
Change in value in beneficial interest in perpetual trusts	-	119,458	119,458
CHANGE IN NET ASSETS	964,168	5,828,756	6,792,924
Net assets, beginning of the year	8,483,979	45,530,685	54,014,664
Net assets, end of the year	\$ 9,448,147	\$ 51,359,441	\$ 60,807,588

See Notes to Financial Statements

STATE COLLEGE OF FLORIDA FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services	General and Administrative	Fund- Raising	Total
Alumni/friends magazine	\$ -	\$ 8,547	\$ -	\$ 8,547
Alumni development	-	887	-	887
Annual fund	-	29	-	29
Audit and accounting	-	17,250	-	17,250
Advertising	-	-	2,042	2,042
Bank charges	-	6,878	-	6,878
Community support	-	34,407	2,995	37,402
Contract services	-	15,269	94,223	109,492
Donor recognition	-	5,943	1,825	7,768
Enhancements	1,295,007	-	-	1,295,007
Facilities and catering	-	-	48,421	48,421
Institutional support	50,656	-	-	50,656
Insurance	-	4,999	-	4,999
Legal fees	-	205	-	205
Licenses & fees	-	350	-	350
Meetings	-	3,136	-	3,136
Miscellaneous	-	546	2,120	2,666
Personnel	212,820	265,672	196,736	675,228
Photography	-	-	375	375
Postage and mailing	-	57	-	57
Printing	-	-	7,762	7,762
Professional development	-	10,985	-	10,985
Rent/Rental equipment	-	20,167	3,045	23,212
Scholarships	1,669,334	-	-	1,669,334
Software and office equipment	31,173	-	-	31,173
Supplies	-	2,455	3,163	5,618
Web page development	-	352	-	352
Total Expenses	\$ 3,258,990	\$ 398,134	\$ 362,707	\$ 4,019,831

See Notes to Financial Statements

STATE COLLEGE OF FLORIDA FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services	General and Administrative	Fund- Raising	Total
Alumni development	\$ -	\$ -	\$ 17	\$ 17
Audit and accounting	-	20,500	-	20,500
Bank charges	-	10,324	-	10,324
Community support	-	52,023	65	52,088
Contract services	26,690	171,091	114,282	312,063
Depreciation	-	265	-	265
Donor recognition	-	176	-	176
Enhancements	1,176,182	-	-	1,176,182
Facilities and catering	-	-	5,707	5,707
Institutional support	51,530	-	-	51,530
Insurance	-	5,052	-	5,052
Legal fees	-	156,577	-	156,577
Meetings	-	2,156	1,089	3,245
Memberships and dues	-	-	-	-
Miscellaneous	28	3,644	1,495	5,167
Other professional fees	-	-	-	-
Personnel	163,050	174,491	103,203	440,744
Photography	-	-	252	252
Postage and mailing	-	309	-	309
Printing	-	-	3,206	3,206
Professional development	-	6,077	83	6,160
Rent/Rental equipment	-	20,000	-	20,000
Scholarships	1,736,506	-	-	1,736,506
Software and office equipment	25,378	-	-	25,378
Supplies	-	1,556	3,021	4,577
Web page development	-	99	-	99
Total Expenses	\$ 3,179,364	\$ 624,340	\$ 232,420	\$ 4,036,124

See Notes to Financial Statements

STATE COLLEGE OF FLORIDA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 3,573,478	\$ 6,792,924
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	-	265
Net realized and unrealized gains on investments	(2,119,676)	(6,059,101)
Change in value of annuities payable	(1,563)	2,416
Change in value in beneficial interest in remainder trusts	418	(11,686)
Change in value in beneficial interest in perpetual trusts	45,477	(119,458)
Contributions restricted for endowment	(2,000)	(2,000)
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(1,627)	(14,126)
Accounts payable and accrued expenses	78,497	(14,885)
Due to State College of Florida, Manatee-Sarasota	41,218	57,128
Deferred revenue	14,095	9,340
Net cash provided by operating activities	1,628,317	640,817
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(13,506,431)	(12,187,728)
Sale of investments	12,376,159	11,506,799
Net cash (used in) investing activities	(1,130,272)	(680,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on annuity agreements	(9,799)	(9,800)
Proceeds from contributions restricted for endowment	2,000	2,000
Net cash (used in) financing activities	(7,799)	(7,800)
Net change in cash	490,246	(47,912)
Cash, beginning of year	276,093	324,005
Cash, end of year	\$ 766,339	\$ 276,093

See Notes to Financial Statements

STATE COLLEGE OF FLORIDA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State College of Florida Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized in 1978 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 two classes of net assets: (1) net assets without donor restrictions, and (2) net assets with donor restrictions.

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 \$304,846 and \$269,683 for the years ended September 30, 2018 and 2017, 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. Management has deemed all pledges as collectible, therefore no allowance is necessary.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

**NOTE 1: ORGANIZATION AND 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 an irrevocable charitable gift annuity, An annuity liability has been recorded at the present value of expected future cash flows to be paid to the annuity beneficiary at a discount rate of 5.4%.

Contributions

Contributions received are recorded as net assets without or with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Support from the College

The Foundation recognizes support from the College which creates or enhances non-financial assets or that requires 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.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

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.

Net Assets

Net assets, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. From time to time, the board designates certain recurring and/or non-recurring items for use on specific future projects. For the years ended September 30, 2018 and 2017, the board has designated \$1,567,283 and \$1,286,267, respectively, of net assets for future projects and capital needs.

Net Assets With Donor Restrictions – Net Assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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) 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.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Subsequent Events

The Foundation has evaluated all subsequent events through December 17, 2018, the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 2: LIQUIDITY AND AVAILABILITY

The Foundation's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for events and contributions. The Foundation manages liquidity during the year by utilizing the following strategies: operating with a balanced budget which assumes collection of sufficient revenue via contributions, grants, and other sources to cover operating expenditures not covered by donor-restricted resources, regular analysis of actual operating results versus budget, timing of annual endowment transfers.

The Foundation's endowment investment policy employs the following principals: preservation of capital, risk aversion, adherence to investment discipline, and maintenance of sufficient liquidity to meet its cash needs.

The following tables reflect the Foundation's total financial assets as of September 31, 2018, and the amounts of those financial assets that could be made available within 12 months to meet operating expenditures:

Financial assets at year end	
Cash and cash equivalents	\$ 766,339
Investments	61,210,852
Total financial assets at year-end	<u>\$ 61,977,191</u>
Financial assets available to meet operating expenditures over the next 12 months	
Cash and equivalents	\$ 766,339
Payout on donor-restricted endowments for use over next 12 months	1,539,730
Investments not encumbered by donor or board restrictions	1,914,681
Financial assets available to meet operating expenditures	<u>\$ 4,220,750</u>

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 3: 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
U.S. equities	\$ 21,440,484	\$ 21,244,823
Alternative investments	11,065,323	9,429,632
Fixed income	13,747,085	12,281,944
International	14,758,392	14,734,265
Cash and cash equivalents	<u>199,568</u>	<u>270,240</u>
Total	<u>\$ 61,210,852</u>	<u>\$ 57,960,904</u>

NOTE 4: 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Gross amounts due in		
One year	\$ -	\$ -
One to five years	-	-
More than five years	<u>100,000</u>	<u>100,000</u>
Total gross pledges	<u>100,000</u>	<u>100,000</u>
Less allowance	<u>(3,831)</u>	<u>(3,831)</u>
Less discount to present value	<u>-</u>	<u>-</u>
Total	<u>\$ 96,169</u>	<u>\$ 96,169</u>

The Foundation has an outstanding conditional promise to give in the amount of \$75,000 that has not been recorded on the statements of financial position because the conditions have not been met as of September 30, 2018.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 5: 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, 2018 and 2017:

	2018	2017
The Foundation is one of four beneficiaries of a trust and will collect 25% of principal in the year 2023. The trust currently pays quarterly distributions of income to the Foundation.	\$ 193,653	\$ 188,693
Upon death of the income beneficiary, the Foundation will receive 50% of the remaining principal of a trust which is donor restricted for nursing scholarships. The trust currently pays distributions of income to the Foundation.	51,568	51,429
Upon death of the income beneficiary, the Foundation will receive 100% of the remaining principal of a trust which is donor restricted for transfer student scholarships.	92,733	98,250
Total beneficial interest in remainder trusts	\$ 337,954	\$ 338,372

NOTE 6: 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, 2018 and 2017:

	2018	2017
The Foundation receives annual income restricted for scholarships as part of a perpetual trust.	\$ 335,185	\$ 324,807
The Foundation is paid 25% of the residuary amount of a perpetual trust that is restricted for music scholarships and equipment.	566,468	606,700
The Foundation is paid 10% of 70% of a perpetual trust assets which is restricted for the arts and library departments.	96,853	103,337
The Foundation is paid an annual income from a perpetual trust that is without restriction.	37,085	36,280
The Foundation is paid an annual income of a perpetual trust that is restricted for enhancements.	1,216,322	1,226,266
	\$ 2,251,913	\$ 2,297,390

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 7: RELATIONSHIP WITH THE COLLEGE

The Foundation recognizes certain support 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 at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Donated salaries and contract services	\$ 478,537	\$ 351,966
Donated office space	20,000	20,000
	<u>\$ 498,537</u>	<u>\$ 371,966</u>

The Foundation made contributions and payments for services to the College for the following purposes at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 1,479,980	\$ 1,593,167
Enhancements	569,022	633,921
Salaries, contract services and other	395,165	171,883
	<u>\$ 2,444,167</u>	<u>\$ 2,398,971</u>

Of the amounts above, the Foundation had an outstanding balance payable to the College of \$117,347 and \$76,129 at September 30, 2018 and 2017, 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
SEPTEMBER 30, 2018 AND 2017**

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted for the following purposes as of September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Undesignated scholarships	\$ 14,655,779	\$ 13,798,701
AA/College transfers	5,821,883	5,352,615
Instructional equipment	4,921,225	4,650,583
Nursing	4,062,309	3,916,132
High school seniors and articulation	2,752,731	2,632,645
Public services	2,635,269	2,469,200
Other purposes	2,624,067	2,089,066
Health sciences	1,196,331	1,113,283
Arts	725,531	665,986
Minority students	621,637	565,730
Loan programs	483,379	464,054
Awards	298,698	261,313
General memorials	284,621	222,457
Library	271,190	357,718
Scholarship fund	246,556	254,178
Athletics	207,936	153,408
Business and communication	177,725	160,019
	<u>\$ 41,986,867</u>	<u>\$ 39,127,088</u>

Net Assets perpetual in nature as of September 30, 2018 and 2017, consist of:

	<u>2018</u>	<u>2017</u>
Undesignated scholarships	\$ 2,351,422	\$ 2,349,422
AA/College transfers	2,056,278	2,045,899
Health sciences	1,925,000	1,925,000
Nursing	1,908,790	1,908,790
Instructional equipment	1,539,060	1,549,003
High school seniors and articulation	1,250,288	1,250,288
Fine and performing arts	644,821	685,054
Other purposes	218,485	224,165
Public services	150,000	150,000
Minority students	144,732	144,732
	<u>\$ 12,188,876</u>	<u>\$ 12,232,353</u>

Net Assets released from restrictions due to satisfaction of purpose and/or time restrictions were \$3,076,259 and \$2,176,984 for the years ended September 30, 2018 and 2017, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 9: 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, 2018, the Foundation exceeded the insured limit by approximately \$567,733.

Investments consist primarily of financial instruments including cash, 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 10: 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, 2018 and 2017, is as follows:

	Level 1	Level 2	Level 3	Total at September 30, 2018
Investments				
U. S. equities	\$ 21,440,484	\$ -	\$ -	\$ 21,440,484
Alternative investments	-	-	11,065,323	11,065,323
Fixed income	13,747,085	-	-	13,747,085
International	14,758,392	-	-	14,758,392
Cash and cash equivalents	199,568	-	-	199,568
Total investments	50,145,529	-	11,065,323	61,210,852
Beneficial interest in remainder trusts	308,419	-	29,535	337,954
Beneficial interest in perpetual trusts	2,134,971	-	116,942	2,251,913
	\$ 52,588,919	\$ -	\$ 11,211,800	\$ 63,800,719

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 10: FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total at September 30, 2017
Investments				
U. S. equities	\$ 21,244,823	\$ -	\$ -	\$ 21,244,823
Alternative investments	-	-	9,429,632	9,429,632
Fixed income	12,281,944	-	-	12,281,944
International	14,734,265	-	-	14,734,265
Cash and cash equivalents	270,240	-	-	270,240
Total investments	48,531,272	-	9,429,632	57,960,904
Beneficial interest in remainder trusts	311,527	-	26,845	338,372
Beneficial interest in perpetual trusts	2,164,274	-	133,116	2,297,390
	<u>\$ 51,007,073</u>	<u>\$ -</u>	<u>\$ 9,589,593</u>	<u>\$ 60,596,666</u>

The fair value of the Foundation's Level 1 financial assets is based on quoted market prices of the identical security. 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., and SEI Structured Credit Fund. 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, 2018 and 2017, 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 at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Fair value, beginning of year	\$ 9,589,593	\$ 8,223,194
Net realized and unrealized gains	1,621,062	1,357,129
Change in value of split-interest agreements	1,145	9,270
Fair value, end of year	<u>\$ 11,211,800</u>	<u>\$ 9,589,593</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
SEPTEMBER 30, 2018 AND 2017**

NOTE 11: 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.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2018.

The endowment net asset composition is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total at September 30, 2018
		Time & Purpose	Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 32,466,302	\$ 12,188,876	\$ 44,655,178
Board-designated endowment funds	-	-	-	-
	\$ -	\$ 32,466,302	\$ 12,188,876	\$ 44,655,178

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 11: ENDOWMENTS (CONTINUED)

	Without Donor Restrictions	With Donor Restrictions		Total at September 30, 2017
		Time & Purpose	Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 30,290,446	\$ 12,232,353	\$ 42,522,799
Board-designated endowment funds	-	-	-	-
	<u>\$ -</u>	<u>\$ 30,290,446</u>	<u>\$ 12,232,353</u>	<u>\$ 42,522,799</u>

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time & Purpose	Perpetuity	
Endowment net assets, September 30, 2016	\$ -	\$ 26,204,887	\$ 12,110,895	\$ 38,315,782
Investment return				
Investment income	9,550	941,408	-	950,958
Net appreciation (realized and unrealized)	21,560	4,383,635	-	4,405,195
Total investment return	31,110	5,325,043	-	5,356,153
Contributions	(4,750)	123,317	2,000	120,567
Misc revenue	750	-	-	750
Change in value of split interest agreements	-	10,701	119,458	130,159
Transfers	1,331,435	(2,333,498)	-	(1,002,063)
Reclassification	(317)	959,996	-	959,679
Amounts appropriated for expenditure	(1,358,228)	-	-	(1,358,228)
Endowment net assets, September 30, 2017	-	30,290,446	12,232,353	42,522,799
Investment return				
Investment income	-	1,704,897	-	1,704,897
Net appreciation (realized and unrealized)	-	1,619,013	-	1,619,013
Total investment return	-	3,323,910	-	3,323,910
Contributions	96	69,855	2,000	71,951
Change in value of split interest agreements	-	2,506	(45,477)	(42,971)
Transfers	1,284,711	(1,220,415)	-	64,296
Amounts appropriated for expenditure	(1,284,807)	-	-	(1,284,807)
Endowment net assets, September 30, 2018	<u>\$ -</u>	<u>\$ 32,466,302</u>	<u>\$ 12,188,876</u>	<u>\$ 44,655,178</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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2018.

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.

Bradenton, Florida
December 17, 2018

Mauldin & Jenkins, LLC