

STATE COLLEGE OF FLORIDA  
FOUNDATION, INC.

FINANCIAL STATEMENTS

Years Ended September 30, 2010 and 2009

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position .....	2
Statement of Activities – Year Ended September 30, 2010 .....	3
Statement of Activities – Year Ended September 30, 2009 .....	4
Statement of Functional Expenses – Year Ended September 30, 2010.....	5
Statement of Functional Expenses – Year Ended September 30, 2009.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements .....	8
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 <i>Government Auditing Standards</i> .....	19



## 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, 2010 and 2009, 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, 2010 and 2009, 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 December 17, 2010, 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.

*CPA Associates*

Bradenton, Florida  
December 17, 2010

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

	September 30,	
	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,679,650	856,528
Investments	35,768,020	34,697,576
Pledges receivable, net	340,199	355,294
Prepaid expenses and other current assets	8,065	13,398
Property and equipment, net	4,917	8,913
Beneficial interest in remainder trusts	321,802	316,974
Beneficial interest in perpetual trusts	2,065,140	2,008,286
<b>TOTAL ASSETS</b>	<b>\$ 40,187,793</b>	<b>38,256,969</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 10,090	22,194
Due to State College of Florida	512,099	64,960
Deferred revenue	93,480	82,520
Annuity liabilities	114,889	99,256
<b>Total liabilities</b>	<b>730,558</b>	<b>268,930</b>
<b>Net assets</b>		
Unrestricted	5,078,362	3,910,713
Temporarily restricted	22,156,467	21,884,144
Permanently restricted	12,222,406	12,193,182
<b>Total net assets</b>	<b>39,457,235</b>	<b>37,988,039</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 40,187,793</b>	<b>38,256,969</b>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>				
Investment income	\$ 366,646	663,027	--	1,029,673
Net realized and unrealized gains	679,158	1,326,304	--	2,005,462
Special events	203,536	--	--	203,536
Other income	11,536	--	--	11,536
<b>Total revenues</b>	<u>1,260,876</u>	<u>1,989,331</u>	<u>--</u>	<u>3,250,207</u>
<b>Support</b>				
Individuals, corporations, foundations and others	514,606	1,647,500	2,370	2,164,476
State of Florida	1,964	28,000	--	29,964
<b>Total support</b>	<u>516,570</u>	<u>1,675,500</u>	<u>2,370</u>	<u>2,194,440</u>
Net assets released from restriction	<u>3,519,792</u>	<u>( 3,519,792)</u>	<u>--</u>	<u>--</u>
<b>Total revenues and support</b>	<u>5,297,238</u>	<u>145,039</u>	<u>2,370</u>	<u>5,444,647</u>
<b>Expenses</b>				
Program services	3,323,976	--	--	3,323,976
General and administrative	368,450	--	--	368,450
Fund-raising	336,250	--	--	336,250
<b>Total expenses</b>	<u>4,028,676</u>	<u>--</u>	<u>--</u>	<u>4,028,676</u>
Increase in net assets before change in value of annuity liabilities and value in beneficial interest in remainder and perpetual trusts	1,268,562	145,039	2,370	1,415,971
Change in value of annuity liabilities	( 1,359)	( 7,098)	--	( 8,457)
Change in value in beneficial interest in remainder trusts	--	4,828	--	4,828
Change in value in beneficial interest in perpetual trusts	--	--	56,854	56,854
Net increase in net assets	1,267,203	142,769	59,224	1,469,196
Net assets - Beginning of the year, as originally stated	3,910,713	21,884,144	12,193,182	37,988,039
Transfers of net asset restrictions	<u>( 99,554)</u>	<u>129,554</u>	<u>( 30,000)</u>	<u>--</u>
Net assets - End of the year	<u>\$ 5,078,362</u>	<u>22,156,467</u>	<u>12,222,406</u>	<u>39,457,235</u>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>				
Investment income	\$ 498,101	897,455	--	1,395,556
Net realized and unrealized gains (losses)	( 474,373)	( 1,264,422)	--	( 1,738,795)
Special events	243,466	--	--	243,466
Other income	36,996	--	--	36,996
Total revenues	<u>304,190</u>	<u>( 366,967)</u>	<u>--</u>	<u>( 62,777)</u>
<b>Support</b>				
Individuals, corporations, foundations and others	519,369	2,112,858	2,753	2,634,980
State of Florida	94,495	--	--	94,495
Total support	<u>613,864</u>	<u>2,112,858</u>	<u>2,753</u>	<u>2,729,475</u>
Net assets released from restriction	<u>3,627,015</u>	<u>( 3,627,015)</u>	<u>--</u>	<u>--</u>
Total revenues and support	4,545,069	( 1,881,124)	2,753	2,666,698
<b>Expenses</b>				
Program services	3,150,256	--	--	3,150,256
General and administrative	402,901	--	--	402,901
Fund-raising	356,209	--	--	356,209
Total expenses	<u>3,909,366</u>	<u>--</u>	<u>--</u>	<u>3,909,366</u>
Increase (decrease) in net assets before change in value of annuity liabilities and value in beneficial interest in remainder and perpetual trusts	635,703	( 1,881,124)	2,753	( 1,242,668)
Change in value of annuity liabilities	--	( 5,905)	--	( 5,905)
Change in value in beneficial interest in remainder trusts	--	( 42,588)	--	( 42,588)
Change in value in beneficial interest in perpetual trusts	--	--	17,292	17,292
Net increase (decrease) in net assets	635,703	( 1,929,617)	20,045	( 1,273,869)
Net assets - Beginning of the year, as originally stated	1,616,569	26,652,101	10,993,238	39,261,908
Transfers of net asset restrictions	<u>1,658,441</u>	<u>( 2,838,340)</u>	<u>1,179,899</u>	<u>--</u>
Net assets - End of the year	<u>\$ 3,910,713</u>	<u>21,884,144</u>	<u>12,193,182</u>	<u>37,988,039</u>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2010

	Program Services	General and Administrative	Fund- Raising	Total
Audit and accounting	--	15,340	--	15,340
Bank charges	--	4,513	--	4,513
Contract services	--	5,324	66,716	72,040
Depreciation	--	5,750	--	5,750
Donor recognition	--	35,137	237	35,374
Enhancements	1,669,504	--	--	1,669,504
Facilities and catering	--	--	18,901	18,901
Fund development planning	--	15,677	--	15,677
Institutional support	13,640	--	--	13,640
Insurance	--	5,034	--	5,034
Legal fees	--	3,653	--	3,653
Meetings	--	6,862	--	6,862
Memberships and dues	--	600	--	600
Miscellaneous	--	4,951	2,431	7,382
Other professional fees	--	2,912	25	2,937
Personnel	92,797	218,827	234,853	546,477
Photography	--	--	600	600
Postage and mailing	--	125	1,392	1,517
Printing	--	8,842	5,187	14,029
Professional development	--	2,097	--	2,097
Professional publications	--	667	--	667
Rental equipment	--	6,755	2,531	9,286
Scholarships	1,548,035	--	--	1,548,035
Software and office equipment	--	16,227	--	16,227
Supplies	--	4,734	3,377	8,111
Travel	--	2,870	--	2,870
Web page development	--	1,553	--	1,553
<b>Total expenses</b>	<b>\$ 3,323,976</b>	<b>368,450</b>	<b>336,250</b>	<b>4,028,676</b>

See accompanying notes.

STATE COLLEGE OF FLORIDA FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2009

	Program Services	General and Administrative	Fund- Raising	Total
Annual report	\$ --	27,227	--	27,227
Audit and accounting	--	15,925	--	15,925
Bank charges	--	3,209	--	3,209
Contract services	--	3,506	76,119	79,625
Depreciation	--	8,707	--	8,707
Donor recognition	--	24,124	4,683	28,807
Enhancements	1,064,202	--	--	1,064,202
Facilities and catering	--	--	28,221	28,221
Fund development planning	--	32,447	--	32,447
Institutional support	8,686	--	--	8,686
Insurance	--	3,550	--	3,550
Legal fees	--	35	--	35
Meetings	--	9,470	--	9,470
Memberships and dues	--	640	--	640
Miscellaneous	33	1,220	221	1,474
Other professional fees	--	15,050	25	15,075
Personnel	94,901	219,341	204,835	519,077
Photography	--	--	1,165	1,165
Postage and mailing	--	3,467	4,307	7,774
Printing	--	2,490	12,188	14,678
Professional development	--	5,141	--	5,141
Professional publications	--	20,377	--	20,377
Rental equipment	--	--	20,715	20,715
Scholarships	1,580,332	--	--	1,580,332
Supplies	--	3,014	3,730	6,744
Travel	--	3,255	--	3,255
Web page development	--	706	--	706
Write off of pledges receivable	402,102	--	--	402,102
<b>Total expenses</b>	<b>\$ 3,150,256</b>	<b>402,901</b>	<b>356,209</b>	<b>3,909,366</b>

See accompanying notes.

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

	Year Ended September 30,	
	2010	2009
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 1,469,196	( 1,273,869)
Adjustments to reconcile increase (decrease) in net assets to net cash (used) provided by operating activities		
Depreciation	5,750	8,707
Net realized and unrealized (gains) losses on investments	( 2,005,462)	1,738,795
Write off of pledges receivable	--	402,102
Change in value of annuity liabilities	8,457	5,905
Change in value in beneficial interest in remainder trusts	( 4,828)	42,588
Change in value in beneficial interest in perpetual trusts	( 56,854)	( 17,292)
Contributions restricted for endowment	( 59,224)	( 2,753)
Changes in operating assets and liabilities		
Pledges receivable	15,095	( 116,937)
Prepaid expenses and other current assets	5,333	8,159
Accounts payable and accrued expenses	( 12,104)	1,191
Deferred revenue	10,960	( 2,475)
Annuity liability	7,176	25,603
Net cash (used) provided by operating activities	( 616,505)	819,724
Cash flows from investing activities		
Purchases of property and equipment	( 1,754)	( 361)
Payable to State College of Florida	447,139	( 197,328)
Purchases of investments	( 11,596,202)	( 15,141,706)
Sale of investments	12,531,220	14,861,360
Net cash provided (used) by investing activities	1,380,403	( 478,035)
Cash flows from financing activities		
Proceeds from contributions restricted for endowment	59,224	2,753
Net cash provided by financing activities	59,224	2,753
Net increase in cash	823,122	344,442
Cash at beginning of year	856,528	512,086
Cash at end of year	\$ 1,679,650	856,528

See accompanying notes.

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

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NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization and Nature of Activities: The State College of Florida Foundation (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.

The Foundation was formerly known as the Foundation for Manatee Community College, Inc. During the year ended September 30, 2009, the Foundation changed its name to coincide with the change of the College's name from Manatee Community College.

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.

Pledges Receivable: Promises to give are recorded at fair value if expected to be collected in one year and net realizable value if expected to be collected in more than one year. 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, 2010 and 2009, all pledge receivables are considered 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 over a five year period. 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

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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 percent.

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

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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, 2007.

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 December 17, 2010, the date the financial statements were available to be issued. No material subsequent events occurred which would have a material impact on the Foundation's financial statements.

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>2010</u>	<u>2009</u>
U. S. equities	\$ 11,807,332	10,862,402
Alternative investments	1,720,483	1,721,836
Fixed income	14,584,660	15,316,983
International	5,051,329	4,774,676
Other	<u>2,604,216</u>	<u>2,021,679</u>
Total	<u>\$ 35,768,020</u>	<u>34,697,576</u>

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

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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>2010</u>	<u>2009</u>
Gross amounts due in		
One year	\$ 115,000	116,000
One to five years	195,000	210,000
More than five years	<u>100,000</u>	<u>100,000</u>
Total gross pledges	410,000	426,000
Less discount to present value	<u>( 69,801)</u>	<u>( 70,706)</u>
Total	<u>\$ 340,199</u>	<u>355,294</u>

NOTE D: PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Computers and software	\$ 35,917	34,163
Office equipment	<u>37,692</u>	<u>37,692</u>
Total property and equipment	73,609	71,855
Less accumulated depreciation	<u>( 68,692)</u>	<u>( 62,942)</u>
Total	<u>\$ 4,917</u>	<u>8,913</u>

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

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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>2010</u>	<u>2009</u>
James Corse Trust: 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.	\$ 154,056	150,924
George Gregg Trust: 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.	45,718	42,695
Foundation will receive 100% of the remaining principal which is donor restricted for transfer student scholarships.	<u>122,028</u>	<u>123,355</u>
Total beneficial interest in remainder trusts	<u>\$ 321,802</u>	<u>316,974</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>2010</u>	<u>2009</u>
Zenno Taylor Trust: Pays annual income to the Foundation restricted for scholarships.	\$ 299,872	290,819
Evelyn Timm Koenig Trust: Pays 25% of the residuary amount to the Foundation restricted for music scholarships and equipment.	544,399	513,102
Elizabeth Eaton Foundation Trust: Pays 10% of 70% of the trust assets to Foundation restricted for the arts and library departments.	98,514	92,249
Edna Cleve Trust: Pays annual income to Foundation without restriction.	33,460	33,318
Harvey F. and Florence H. Girvin Trust: Pays annual income to the Foundation restricted for enhancements.	<u>1,088,895</u>	<u>1,078,798</u>
	<u>\$ 2,065,140</u>	<u>2,008,286</u>

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

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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 and program services expense in the statement of activities as follows as of September 30:

	<u>2010</u>	<u>2009</u>
Donated salaries and contract services	\$ 374,931	354,456
Donated supplies, printing, duplicating, travel and postage	<u>22,778</u>	<u>24,605</u>
	<u>\$ 397,709</u>	<u>379,061</u>

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

	<u>2010</u>	<u>2009</u>
Scholarships	\$ 1,290,822	1,341,241
Enhancements	1,524,346	1,022,030
Salaries, contract services and other	<u>224,070</u>	<u>169,207</u>
	<u>\$ 3,039,238</u>	<u>2,532,478</u>

Of the amounts above, the Foundation had an outstanding balance payable to the College of \$512,099 and \$64,960 at September 30, 2010 and 2009, respectively.

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

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NOTE H: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Athletics	\$ 139,561	141,346
Nursing	3,267,695	3,549,177
Health sciences	1,457,250	1,307,935
Public services	503,732	456,054
Minority students	281,306	283,664
Business and communication	99,942	104,115
High school seniors and articulation	1,651,426	1,723,267
AA/College transfers	2,589,354	2,298,047
Undesignated scholarships	8,719,701	8,268,529
General memorials	137,175	128,987
Loan programs	360,172	378,225
Arts	416,756	394,581
Fine and performing arts	28,724	115,748
Instructional equipment	2,057,625	2,490,372
Cultural	134,622	131,170
Other purposes	311,426	112,927
	<u>\$ 22,156,467</u>	<u>21,884,144</u>

NOTE I: PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Nursing	\$ 1,983,790	1,983,790
Health sciences	1,954,112	1,954,112
Public services	162,500	162,500
Minority students	232,210	232,210
High school seniors and articulation	1,261,724	1,291,724
AA/College transfers	2,106,059	2,097,006
Undesignated scholarships	2,353,085	2,351,085
Fine and performing arts	622,878	591,581
Instructional equipment	1,211,633	1,201,536
Other purposes	334,415	327,638
	<u>\$ 12,222,406</u>	<u>12,193,182</u>

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

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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, 2010, the Foundation exceeded the insured limit by approximately \$1,600,900.

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, 2010 and 2009, is as follows:

	Level 1	Level 2	Level 3	Total at September 30, 2010
	Level 1	Level 2	Level 3	Total at September 30, 2009
Investments	\$ 34,047,537	--	1,720,483	35,768,020
Beneficial interest in remainder trusts	315,967	--	5,835	321,802
Beneficial interest in perpetual trusts	1,980,393	--	84,747	2,065,140
	<u>\$ 36,343,897</u>	<u>--</u>	<u>1,811,065</u>	<u>38,154,962</u>
Investments	\$ 32,975,740	--	1,721,836	34,697,576
Beneficial interest in remainder trusts	311,610	--	5,364	316,974
Beneficial interest in perpetual trusts	2,008,286	--	--	2,008,286
	<u>\$ 35,295,636</u>	<u>--</u>	<u>1,727,200</u>	<u>37,022,836</u>

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

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NOTE K: FAIR VALUE MEASUREMENTS (CONTINUED)

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. (the Fund) and real estate. The value of the Level 3 investments 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, 2010 and 2009, 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:

	<u>2010</u>	<u>2009</u>
Fair value, beginning of year	\$ 1,727,200	2,590,282
Sale of investments	--	( 525,000)
Net realized and unrealized gains (losses)	( 1,353)	( 352,417)
Change in value of split-interest agreements	85,218	5,364
Other	<u>--</u>	<u>8,971</u>
Fair value, end of year	<u>\$ 1,811,065</u>	<u>1,727,200</u>

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

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 Uniform Management of Institutional Funds Act of 1972 (UMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment fund, absent donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of the gift as permanently restricted. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets. The unrestricted portion of the endowment fund may be used at the Board of Directors' discretion, unless the donor restricts it otherwise.

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

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NOTE L: ENDOWMENTS (CONTINUED)

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.

In the Foundation's accounting system, all transactions are tracked at the project level. When endowed contributions are received from donors, they are either added to an existing endowed project as determined by the donor, or a new endowed project is created based on donor intent. The projects may include activity which may be unrestricted, temporarily restricted or permanently restricted based on the circumstances surrounding the transaction. For example, if a donor donates to a project and endows the original contribution, a subsequent contribution, if not specified to be permanently restricted for the same purpose, could be temporarily restricted or unrestricted. When determining activity to endowments, the Foundation looks to the intent of the project in which the original endowed donation was made.

The endowment net asset composition at the project level is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total at September 30, 2010</u>
Donor-restricted endowment funds	\$ --	15,052,118	11,329,089	26,381,207
Board-designated endowment funds	<u>767,629</u>	<u>--</u>	<u>--</u>	<u>767,629</u>
	<u>\$ 767,629</u>	<u>15,052,118</u>	<u>11,329,089</u>	<u>27,148,836</u>
				<u>Total at</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>September 30, 2009</u>
Donor-restricted endowment funds	\$ --	13,931,792	11,270,234	25,202,026
Board-designated endowment funds	<u>736,983</u>	<u>--</u>	<u>--</u>	<u>736,983</u>
	<u>\$ 736,983</u>	<u>13,931,792</u>	<u>11,270,234</u>	<u>25,939,009</u>

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

NOTE L: ENDOWMENTS (CONTINUED)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2008	\$ 2,125,440	13,925,518	11,250,942	27,301,900
Investment return:				
Investment income	6,479	897,455	--	903,934
Net appreciation (realized and unrealized)	( 28,614)	( 1,264,422)	--	( 1,293,036)
Total investment return	( 22,135)	( 366,967)	--	( 389,102)
Contributions	18,330	415,799	2,000	436,129
Change in value of split interest agreements	--	( 42,558)	17,292	( 25,266)
Transfers between projects	--	--	--	--
Amounts appropriated for expenditure	( 1,384,652)	--	--	( 1,384,652)
Endowment net assets, September 30, 2009	736,983	13,931,792	11,270,234	25,939,009
Investment return:				
Investment income	4,563	662,595	--	667,158
Net appreciation (realized and unrealized)	8,282	1,383,480	--	1,391,762
Total investment return	12,845	2,046,075	--	2,058,920
Contributions	--	457,061	2,000	459,061
Change in value of split interest agreements	( 1,359)	( 2,271)	56,855	53,225
Transfers between projects	1,385,750	( 1,380,539)	--	5,211
Amounts appropriated for expenditure	( 1,366,590)	--	--	( 1,366,590)
Endowment net assets, September 30, 2010	<u>\$ 767,629</u>	<u>15,052,118</u>	<u>11,329,089</u>	<u>27,148,836</u>

## 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 years ended September 30, 2010 and 2009, and have issued our report thereon dated December 17, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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 over financial reporting 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, Federal awarding agencies and pass-through entities, 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.

*CPA Associates*

Bradenton, Florida  
December 17, 2010