

**South Florida State
College Foundation, Inc.**

Financial Statements

For the Year Ended December 31, 2013
With Comparative Information for December 31, 2012

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SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
South Florida State College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of South Florida State College Foundation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year 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 audit. 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. 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 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.

Board of Directors (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Florida State College Foundation, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

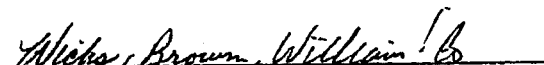
Other Matters

Report on Summarized Comparative Information

We have previously audited the South Florida State College Foundation, Inc.'s 2012 financial statements, and our report dated May 14, 2013, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2014, on our consideration of South Florida State College 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* in considering South Florida State College Foundation's internal control over financial reporting and compliance.


Wicks, Brown, Williams & Co.
Sebring, Florida

May 5, 2014

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2012

ASSETS

	2013	2012
Assets:		
Cash and cash equivalents	\$ 907,064	\$ 876,031
Investments	4,311,973	3,370,274
Other investments	216,531	216,275
Accounts receivable	67,685	13,799
Prepaid expenses	13,589	16,470
Land, buildings, and equipment, net	1,208,562	1,263,796
Permanently restricted:		
Cash restricted for investment in endowment	950,550	1,028,723
Investments	4,518,698	3,957,712
Other investments	36,776	34,861
Accounts receivable	531	252
Total Assets	\$ 12,231,959	\$ 10,778,193

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 144,085	\$ 138,005
Sales tax payable	33	66
Security deposits payable	5,800	5,400
Deferred revenue	2,750	275
Total Liabilities	152,668	143,746
Net Assets:		
Unrestricted	1,764,100	1,793,318
Temporarily restricted	4,808,636	3,819,581
Permanently restricted	5,506,555	5,021,548
Total Net Assets	12,079,291	10,634,447
Total Liabilities and Net Assets	\$ 12,231,959	\$ 10,778,193

The notes to the financial statements are an integral part of this statement.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012
Support and Revenue:					
Public contributions and grants	\$ 39,832	\$ 572,966	\$ 482,836	\$ 1,095,634	\$ 1,132,968
Donated services	107,265	-	-	107,265	108,169
Rent	238,010	-	-	238,010	236,201
Miscellaneous	235	856	2,171	3,262	63
Investment income	117,526	1,135,043	-	1,252,569	740,362
Net assets released from restrictions:					
Restrictions satisfied by payments	719,810	(719,810)	-	-	-
Total Support and Revenue	<u>1,222,678</u>	<u>989,055</u>	<u>485,007</u>	<u>2,696,740</u>	<u>2,217,763</u>
Expenses:					
Program Services:					
Jacaranda Dorm	53,101	-	-	53,101	46,442
Property rentals	245,117	-	-	245,117	133,215
Take Stock in Children	254,355	-	-	254,355	237,013
Scholarships and grants	434,257	-	-	434,257	679,402
Total Program Expenses	<u>986,830</u>	<u>-</u>	<u>-</u>	<u>986,830</u>	<u>1,096,072</u>
Management and general	227,273	-	-	227,273	221,061
Fundraising	37,793	-	-	37,793	33,687
Total Expenses	<u>1,251,896</u>	<u>-</u>	<u>-</u>	<u>1,251,896</u>	<u>1,350,820</u>
Change in Net Assets	<u>(29,218)</u>	<u>989,055</u>	<u>485,007</u>	<u>1,444,844</u>	<u>866,943</u>
Net Assets at beginning of year	<u>1,793,318</u>	<u>3,819,581</u>	<u>5,021,548</u>	<u>10,634,447</u>	<u>9,767,504</u>
Net Assets at end of year	<u>\$ 1,764,100</u>	<u>\$ 4,808,636</u>	<u>\$ 5,506,555</u>	<u>\$ 12,079,291</u>	<u>\$ 10,634,447</u>

The notes to the financial statements are an integral part of this statement.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash received from contributors and grants	\$ 558,908	\$ 886,908
Cash received from property rental	240,485	234,396
Cash received from miscellaneous income	1,091	63
Cash received from income and dividends	165,388	158,079
Cash payments to suppliers for goods and services	(360,042)	(361,440)
Cash payments for employee compensation and related expenses	(285,768)	(108,169)
Cash payments for scholarships and grants	(434,257)	(679,402)
Net Cash Provided (Used) by Operating Activities	<u>(114,195)</u>	<u>130,435</u>
Cash Flows from Investing Activities:		
Purchases of assets restricted for investment in endowment, net	-	(199,666)
Sales of assets restricted for investment in endowment, net	78,173	-
Purchase of securities	(3,221,854)	(1,745,715)
Sale of securities	2,806,350	2,000,907
Net Cash Provided (Used) by Investing Activities	<u>(337,331)</u>	<u>55,526</u>
Cash Flows from Financing Activities:		
Proceeds from permanently restricted contributions	482,559	33,703
Net Cash Provided by Financing Activities	<u>482,559</u>	<u>33,703</u>
Net Increase in Cash	31,033	219,664
Cash and cash equivalents at beginning of year	876,031	656,367
Cash and cash equivalents at end of year	<u>\$ 907,064</u>	<u>\$ 876,031</u>

**Reconciliation of Change in Net Assets to Net Cash
Provided (Used) by Operating Activities:**

	<u>2013</u>	<u>2012</u>
Change in Net Assets	\$ 1,444,844	\$ 866,943
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	55,236	71,835
Permanently restricted contributions received	(482,559)	(33,703)
Increase in fair value of other investments	(2,171)	-
Contributions of other investments	-	251,136
Net realized/unrealized gains on investments	(1,087,181)	(582,283)
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(54,167)	38,779
(Increase) Decrease in prepaid expenses	2,881	(3,365)
Increase (Decrease) in accounts payable	6,080	25,404
Increase (Decrease) in sales tax payable	(33)	66
Increase (Decrease) in security deposits payable	400	(300)
Increase (Decrease) in deferred revenue	2,475	(1,805)
Net Cash Provided (Used) by Operating Activities	<u>\$ (114,195)</u>	<u>\$ 632,707</u>

The notes to the financial statements are an integral part of this statement.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF ORGANIZATION:

The South Florida State College Foundation, Inc. (the "Foundation") was established in 1984 as a Florida nonprofit corporation. The purpose of the Foundation is to assist South Florida State College (the "College") in the delivery of educational services to the citizens of Highlands, Hardee, and DeSoto counties. The Foundation is predominantly supported by public contributions, but also collects rent from the rental of dorm rooms and other property rentals.

SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting: The financial statements of the South Florida State College Foundation, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America, and accordingly are prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

The Foundation classifies its activities into the following net asset categories on its statement of financial position:

- **Unrestricted Net Assets** – Unrestricted net assets are not subject to donor imposed stipulations, and are generally available for support of the Foundation's activities.
- **Temporarily Restricted Net Assets** – Net assets subject to donor imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long lived assets are considered met in the period in which the assets are acquired or placed in service.
- **Permanently Restricted Net Assets** – Permanently restricted net assets are subject to donor imposed stipulations that are to be maintained permanently by the Foundation. Generally, the Foundation is permitted to use or expend part or all of the income and gains derived from the donated assets, restricted only by the donors' wishes. The spendable portion of income is recorded in the temporarily restricted funds with the corpus of the gift remaining intact within the permanently restricted funds.

The statement of activities presents the changes in net assets of the Foundation for the three fund types while demonstrating activity within various classifications of revenue and expenditures by program.

Cash and Cash Equivalents: Cash and cash equivalents include all unrestricted monies in banks and highly liquid investments with maturity dates of three months or less when purchased, including money market funds. Cash and cash equivalents restricted for long term purposes or received with donor imposed restrictions limiting their use to long term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Investments: The Foundation invests in various types of investment securities, which are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

The Foundation uses various valuation techniques in determining fair value. Accounting Standards Codification (ASC) Section 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about estimates utilized by market participants in pricing the asset or liability, based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- **Level 1** – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.
- **Level 2** – Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- **Level 3** – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Net realized and unrealized gains/losses are recorded as revenue or expense and included in the Statement of Activities as investment income. Investment expenses are included in the management and general line item on the Statement of Activities. Unrestricted, temporarily restricted, and permanently restricted assets are pooled together for investment purposes in order to maximize investment return.

Accounts Receivable: The Foundation has reported \$68,216 as accounts receivable as of December 31, 2013, of which \$531 is permanently restricted. All receivables are considered fully collectible.

Prepaid Expenses: Prepaid expenses consist of insurance payments that will benefit a future period.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and Equipment: The Foundation capitalizes expenditures in excess of \$25,000 for building improvements and \$5,000 for equipment with an estimated useful life of one year or more. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Buildings and improvements.....	10 to 40 years
Equipment, furniture, and fixtures.....	5 to 10 years

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Permanently restricted contributions are not adjusted for investment returns unless there are donor specifications on how to spend the endowment's earnings. Endowment returns are credited to the temporarily restricted funds where they are available for expenditure in accordance with grantor provisions and the Foundation's spending policy.

Endowment Management: FASB *Accounting Standards Codification 958-205, Endowments of Not-for-Profit Organizations*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB *Accounting Standards Codification 958-205* also improves disclosures about an organization's endowment fund (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Florida has signed into law the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA).

The Foundation is governed subject to the *Governing Documents for the Foundation*. The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of the *Governing Documents*. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Under the terms of the *Governing Documents*, the Board of Directors has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine unless donor restricted. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes. Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Return Objectives and Risk Parameters. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include assets that are donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy approved by the Foundation Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the spending policy while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Spendable portions of endowments are recorded in the temporarily restricted funds while the non-spendable portions of endowments are recorded in the permanently restricted funds. Spendable portions of endowments are invested and are subject to market risk. In the event that the market value of any endowment becomes less than its historic dollar value, spending is halted until such time as the market value exceeds the historic dollar value.

Strategies Employed for Achieving Objectives. 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 greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy. The Foundation has a policy of appropriating for distribution each year 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Donated Services: Donated services are recognized as contributions in accordance with FASB *Accounting Standards Codification 958-605-25-16, Revenue Recognition - Contributed Services*. One of the following criteria must be satisfied in order to record donated services: the donated services must create or enhance nonfinancial assets of the Foundation, or the donated services must require specialized skills that the Foundation would otherwise need to purchase and be performed by individuals possessing those skills.

The Foundation recorded \$107,265 of donated services during the fiscal year for the value of payroll and benefit costs for the Foundation and accounting support staff paid for by the College.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Comparative Financial Information: The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statement for the year ended December 31, 2012, from which the summarized information was derived. However, management has elected to provide comparable information in the notes to the financial statements.

Income Taxes: South Florida State College Foundation, Inc. is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and is other than a private foundation. In addition, the State of Florida has granted the Foundation tax-exempt corporate status. The federal income tax returns of the Foundation for the fiscal years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events: Subsequent events have been evaluated through May 13, 2014, the date on which the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS:

The cash and cash equivalents consist of the following:

	2013	2013	2012
	Unrestricted	2013 Permanently Restricted	Total
Cash and certificates of deposit	\$ 411,110	\$ 463,591	\$ 874,701
Money market funds and short term investments	495,954	486,959	982,913
Total	<u>\$ 907,064</u>	<u>\$ 950,550</u>	<u>\$ 1,857,614</u>

NOTE 3 – INVESTMENTS:

The following schedule summarizes the investment income and its classification in the Statement of Activities for the year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 14,826	\$ 150,562	\$ -	\$ 165,388
Net realized/unrealized gains	102,700	984,481	-	1,087,181
Total investment income	<u>\$ 117,526</u>	<u>\$ 1,135,043</u>	<u>\$ -</u>	<u>\$ 1,252,569</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 3 – INVESTMENTS: (continued)

The following schedule summarizes the investment income and its classification in the Statement of Activities for the year ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 13,618	\$ 144,461	\$ -	\$ 158,079
Net realized/unrealized gains	47,868	534,415	-	582,283
Total investment income	<u>\$ 61,486</u>	<u>\$ 678,876</u>	<u>\$ -</u>	<u>\$ 740,362</u>

Investment management fees totaled \$52,220 and \$58,354 for the years ended December 31, 2013 and 2012, respectively, and are reported as management and general expenses on the Statement of Activities.

The investments are grouped in the Statement of Financial Position as follows:

	2013	2012
Investments	\$ 4,311,973	\$ 3,370,274
Permanently restricted investments	4,518,698	3,957,712
	<u>\$ 8,830,671</u>	<u>\$ 7,327,986</u>

The Foundation's investments consist of the following at December 31, which are recorded at fair value, which is based on quoted prices in active markets:

	2013	2012
Money market funds	\$ 982,913	\$ 830,255
Corporate bonds	426,086	334,108
Corporate bond funds	1,031,329	2,107,961
US government securities	317,313	539,281
Common stocks	2,064,428	1,292,455
Domestic mutual funds	4,649,950	2,678,152
International mutual funds	341,565	376,029
	<u>9,813,584</u>	<u>8,158,241</u>
Money market funds, reclassified as cash and cash equivalents on Statement of Financial Position	(982,913)	(830,255)
Total Investments	<u>\$ 8,830,671</u>	<u>\$ 7,327,986</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 3 – INVESTMENTS: (continued)

The Foundation's other investments consist of the following at December 31:

	2013		2013 Total	2012 Total
	2013 Unrestricted	Permanently Restricted		
Real estate	\$ 215,000	\$ -	\$ 215,000	\$ 215,000
Cash value of life insurance policies	1,531	36,776	38,307	36,136
	<u>\$ 216,531</u>	<u>\$ 36,776</u>	<u>\$ 253,307</u>	<u>\$ 251,136</u>

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and other payables approximate fair value because of the short maturity of those financial instruments.

The following investments are measured at fair value on a recurring basis based on the following input levels at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 426,086	\$ -	\$ -	\$ 426,086
Corporate bond funds	1,031,329	-	-	1,031,329
US government securities	317,313	-	-	317,313
Common stocks	2,064,429	-	-	2,064,429
Domestic mutual funds	4,649,950	-	-	4,649,950
International mutual funds	341,564	-	-	341,564
Other investments	-	-	253,307	253,307
	<u>\$ 8,830,671</u>	<u>\$ -</u>	<u>\$ 253,307</u>	<u>\$ 9,083,978</u>

The following investments are measured at fair value on a recurring basis based on the following input levels at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 334,108	\$ -	\$ -	\$ 334,108
Corporate bond funds	2,107,961	-	-	2,107,961
US government securities	539,281	-	-	539,281
Common stocks	1,292,455	-	-	1,292,455
Domestic mutual funds	2,678,152	-	-	2,678,152
International mutual funds	376,029	-	-	376,029
Other investments	-	-	251,136	251,136
	<u>\$ 7,327,986</u>	<u>\$ -</u>	<u>\$ 251,136</u>	<u>\$ 7,579,122</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS: (continued)

Fair value of the Foundation’s corporate bonds, US government securities, common stocks, and mutual funds are valued at the last reported sale price on the last business day of the fiscal year. Quotations are obtained from the national security exchanges or in cases where securities are not listed on any exchanges, from brokerage firms.

NOTE 5 – ENDOWMENT ACTIVITY:

The Foundation’s endowment assets are comprised solely of donor restricted contributions.

Endowment returns are credited to the temporarily restricted funds in accordance with grantor restrictions. Expenditures for grantor purposes are made from the temporarily restricted portion of endowments.

The following summarizes the changes in endowment assets for the year ended December 31, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 2,313,805	\$ 5,021,548	\$ 7,335,353
Investment income			
Interest and dividends	127,286	-	127,286
Net realized/unrealized gains	832,001	-	832,001
Total investment income	959,287	-	959,287
Contributions to perpetual endowment	-	485,007	485,007
Amounts appropriated for expenditure	(182,683)	-	(182,683)
Change in endowment net assets	776,604	485,007	1,261,611
Endowment assets, end of year	<u>\$ 3,090,409</u>	<u>\$ 5,506,555</u>	<u>\$ 8,596,964</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 5 – ENDOWMENT ACTIVITY: (continued)

The following summarizes the changes in endowment assets for the year ended December 31, 2012:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 1,996,362	\$ 4,736,457	\$ 6,732,819
Investment income			
Interest and dividends	121,891	-	121,891
Net realized/unrealized gains	451,709	-	451,709
Total investment income	<u>573,600</u>	<u>-</u>	<u>573,600</u>
Contributions to perpetual endowment	-	285,091	285,091
Amounts appropriated for expenditure	<u>(256,157)</u>	<u>-</u>	<u>(256,157)</u>
Change in endowment net assets	<u>317,443</u>	<u>285,091</u>	<u>602,534</u>
Endowment assets, end of year	<u>\$ 2,313,805</u>	<u>\$ 5,021,548</u>	<u>\$ 7,335,353</u>

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT:

The following is a summary of land, buildings, and equipment at December 31:

	2013	2012
Land	\$ 317,720	\$ 317,720
Buildings and improvements	1,333,499	1,333,499
Equipment, furniture, and fixtures	<u>474,665</u>	<u>474,665</u>
Total	2,125,884	2,125,884
Less: Accumulated depreciation	<u>(917,322)</u>	<u>(862,088)</u>
Land, buildings, and equipment - net	<u>\$ 1,208,562</u>	<u>\$ 1,263,796</u>

Depreciation expense for the years ended December 31, 2013 and 2012, amounted to \$55,235 and \$71,835, respectively.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK:

The Foundation's primary checking account is held in a bank qualified as a public depository under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Other cash accounts, entirely insured by Federal Depository Insurance, are held in financial institutions that are also qualified public depositories but the necessary paperwork to make the deposits eligible for collateralization under Florida Statutes 280 has not been completed. The Foundation at December 31, 2013 had no deposits that were not insured.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 8 - RELATED PARTY TRANSACTIONS:

South Florida State College:

The Foundation leases various properties to the College under an annual renewable lease. The College is responsible for maintenance at each location as well as insurance on property, materials, and supplies held at each location. The cost of utilities is shared between the Foundation and the College on a mutually agreed upon pro-rata basis. The details of the leasing arrangements between the Foundation and the College are disclosed in Note 9.

The following is a summary of the amounts paid or reimbursed by the Foundation to the College during the fiscal year ended December 31:

	<u>2013</u>	<u>2012</u>
Scholarships and waivers	\$ 440,280	\$ 338,389
Grants to college	53,778	60,533
Utilities	77,430	77,635
Payroll and related expenses	55,436	63,329
General and administrative	208,814	105,381
Total	<u>\$ 835,738</u>	<u>\$ 645,267</u>

The Foundation's accounts payable balance at December 31, 2013 includes \$141,870 that is owed the College.

NOTE 9 - RENT INCOME / LEASE AGREEMENTS:

The Foundation owns various properties in Highlands County, Florida that it leases to the College and others. The lease agreements are renewable annually upon mutual consent of both parties.

The following is a schedule of properties leased to the College and others during the fiscal year ended December 31, 2013:

Tenant	Property	<u>Lease Income</u>	<u>Cost of Property</u>	<u>Accumulated Depreciation</u>
College	Hotel Jacaranda - Avon Park, FL	\$ 65,443		
Others	Hotel Jacaranda - Dorm rentals	144,298		
Others	Hotel Jacaranda - Other rentals	11,387		
	Subtotal - Hotel Jacaranda	221,128	\$ 1,481,202	\$ 409,913
College	Teacherage - Sebring, FL	8,441	35,500	13,000
College	SFCC Lorida Center - Lorida, FL	8,441	100,797	24,955
		<u>\$ 238,010</u>		

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2012

NOTE 9 – RENT INCOME / LEASE AGREEMENTS: (continued)

The following is a schedule of properties leased to the College and others during the fiscal year ended December 31, 2012:

<u>Tenant</u>	<u>Property</u>	<u>Lease Income</u>	<u>Cost of Property</u>	<u>Accumulated Depreciation</u>
College	Hotel Jacaranda – Avon Park, FL	\$ 62,940		
Others	Hotel Jacaranda – Dorm rentals	145,165		
Others	Hotel Jacaranda – Other rentals	11,860		
	Subtotal - Hotel Jacaranda	219,965	\$ 1,481,202	\$ 379,383
College	Teacherage – Sebring, FL	8,118	35,500	12,350
College	SFCC Lorida Center – Lorida, FL	8,118	100,797	22,840
		<u>\$ 236,201</u>		

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS:

As of December 31, 2013, temporarily restricted net assets in the amount of \$4,808,636 are available for various scholarship programs.

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS:

As of December 31, 2013, permanently restricted net assets in the amount of \$5,506,555 are restricted to investment in perpetuity, the income of which is available for various scholarship programs.

NOTE 12 – STATE EXPENDITURES:

The Foundation is a discretely presented component unit of South Florida State College. South Florida State College is a component unit of the State of Florida. State expenditures of \$98,689 were spent under the Take Stock in Children Program (167-96445-9QT01, 167-96445-0QT01) and \$47,495 was spent under a Hotel Jacaranda Historic Preservation Grant (S1335).

NOTE 13 – FEDERAL EXPENDITURES:

The Foundation is a sub-grantee of an i3 (Investment in Innovation) grant received by the Take Stock in Children Foundation (CFDA #84.396C, FLIGHT: Facilitating Long-term Improvements in Graduation and Higher-Education for Tomorrow) and expended \$149,868 of federal money in the fiscal year ending December 31, 2013. The Foundation also received \$80,000 from the South Florida State College Title III grant (CFDA # 84.031A – Higher Education-Institutional Aid) as a resource development enhancement initiative.

Wicks, Brown, Williams & Co.

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Charles P. Cox, C.P.A.

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*

To the Board of Directors of
South Florida State College Foundation, Inc.

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 South Florida State College Foundation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Florida State College Foundation, Inc.'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 South Florida State College Foundation, Inc.'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.

Board of Directors (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Florida State College Foundation, Inc.'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

This 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.

Wicks, Brown, Williams & Co.
Wicks, Brown, Williams & Co.
Sebring, Florida

May 5, 2014

Wicks, Brown, Williams & Co.

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May 5, 2014

To the Board of Directors of
South Florida State College Foundation, Inc.

We have audited the financial statements of South Florida State College Foundation, Inc. for the year ended December 31, 2013, and have issued our report thereon dated May 5, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 6, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by South Florida State College Foundation, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2013. We noted no transactions entered into by South Florida State College Foundation, Inc. during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management:

- Reversal of a prior year accounts payable in the amount of \$36,637.66



May 5, 2014

Page 2

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 5, 2014.

Management Consultations with Other Independent Accountants


In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Wicks, Brown, Williams & Co.
Sebring, Florida

SFSC Foundation, Inc.
PROPOSED JOURNAL ENTRIES

Prepared by _____

Reviewed by _____

Reference	Type	Date	Account Number	Description	Detailed Description	Debit	Credit	Net Income Effect	Workpaper	Misstatement
100	Potential	12/31/13								
			216100	Investments	adjust Lake June property to FMV		23,650.00			
			249506	Gain (loss) on real estate avail for :	adjust Lake June property to FMV	23,650.00				
					adjust Lake June property to FMV			(23,650.00)		
			TOTAL			<u>23,650.00</u>	<u>23,650.00</u>	<u>(23,650.00)</u>		



SFSC Foundation, Inc.
Adjusting Journal Entries

Prepared by _____
Reviewed by _____

Reference	Type	Date Account Number	Description	Detailed Description	Debit	Credit	Net Income Effect	Workpaper
1	Adjusting	12/31/13						
		116100	Investments - SunTrust	reclassify investments from cash	3,194,244.66			
		116200	Investments - Bank of America	reclassify investments from cash	3,349,059.91			
		116300	Investments - HIB	reclassify investments from cash	3,270,279.93			
		110000	Cash reclass account	reclassify investments from cash		9,813,584.50		
							0.00	
2	Adjusting	12/31/13						
		222500	Accounts Payable	to reverse py payable	36,637.66			
		268000	Scholarships and Waivers	to reverse py payable		36,637.66		
				to reverse py payable			36,637.66	
		TOTAL			<u>9,850,222.16</u>	<u>9,850,222.16</u>	<u>36,637.66</u>	

