

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2015

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
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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, 2016, 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 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.

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, 2016, 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 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 9, 2017, 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 9, 2017

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015

ASSETS

	2016	2015
Assets:		
Cash and cash equivalents	\$ 544,494	\$ 638,944
Investments	4,791,538	4,461,056
Other investments	169,290	153,007
Accounts receivable	36,558	48,893
Prepaid expenses	38,522	38,373
Land, buildings, and equipment, net	1,087,788	1,118,784
Permanently restricted:		
Cash restricted for investment in endowment	629,244	762,844
Investments	5,537,333	5,326,117
Other investments	42,999	40,927
Accounts receivable	6,325	-
Total Assets	\$ 12,884,091	\$ 12,588,945

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 168,439	\$ 323,898
Sales tax payable	25	37
Security deposits payable	17,250	6,900
Deferred revenue	6,257	2,205
Refundable advances	262,111	192,500
Total Liabilities	454,082	525,540
Net Assets:		
Unrestricted	1,528,800	1,536,510
Temporarily restricted	4,685,308	4,397,007
Permanently restricted	6,215,901	6,129,888
Total Net Assets	12,430,009	12,063,405
Total Liabilities and Net Assets	\$ 12,884,091	\$ 12,588,945

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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015
Support and Revenue:					
Public contributions and grants	\$ 202,541	\$ 449,927	\$ 86,013	\$ 738,481	\$ 991,831
Donated services	141,494	-	-	141,494	161,238
Rent	321,202	-	-	321,202	281,444
Miscellaneous	141	-	-	141	276
Investment income (loss)	32,833	444,292	-	477,125	(35,950)
Net assets released from restrictions:					
Restrictions satisfied					
by payments	605,918	(605,918)	-	-	-
Total Support and Revenue	<u>1,304,129</u>	<u>288,301</u>	<u>86,013</u>	<u>1,678,443</u>	<u>1,398,839</u>
Expenses:					
Program Services:					
Jacaranda Dorm	160,781	-	-	160,781	138,838
Property rentals	164,339	-	-	164,339	95,987
Take Stock in Children	121,978	-	-	121,978	133,561
Scholarships and grants	472,681	-	-	472,681	931,127
Total Program Expenses	<u>919,779</u>	<u>-</u>	<u>-</u>	<u>919,779</u>	<u>1,299,513</u>
Management and general	303,570	-	-	303,570	353,374
Fundraising	88,490	-	-	88,490	89,789
Total Expenses	<u>1,311,839</u>	<u>-</u>	<u>-</u>	<u>1,311,839</u>	<u>1,742,676</u>
Change in Net Assets	<u>(7,710)</u>	<u>288,301</u>	<u>86,013</u>	<u>366,604</u>	<u>(343,837)</u>
Net Assets at beginning of year	<u>1,536,510</u>	<u>4,397,007</u>	<u>6,129,888</u>	<u>12,063,405</u>	<u>12,407,242</u>
Net Assets at end of year	<u>\$ 1,528,800</u>	<u>\$ 4,685,308</u>	<u>\$ 6,215,901</u>	<u>\$ 12,430,009</u>	<u>\$ 12,063,405</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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from contributors and grants	\$ 734,414	\$ 845,831
Cash received from property rental	325,254	282,049
Cash received from miscellaneous income	141	276
Cash received from income and dividends	238,284	211,798
Cash payments to suppliers for goods and services	(606,369)	(324,467)
Cash payments for employee compensation and related expenses	(192,819)	(147,168)
Cash payments for scholarships and grants	(472,681)	(931,127)
Net Cash Provided (Used) by Operating Activities	<u>26,224</u>	<u>(62,808)</u>
Cash Flows from Investing Activities:		
Purchase of equipment	(12,750)	(56,457)
Purchases of assets restricted for investment in endowment, net	-	(18,020)
Sales of assets restricted for investment in endowment, net	133,600	-
Purchase of securities	(2,549,159)	(4,683,955)
Sale of securities	2,227,947	4,431,681
Net Cash Used by Investing Activities	<u>(200,362)</u>	<u>(326,751)</u>
Cash Flows from Financing Activities:		
Collections of contributions permanently restricted	79,688	322,601
Net Cash Provided by Financing Activities	<u>79,688</u>	<u>322,601</u>
Net Decrease in Cash	(94,450)	(66,958)
Cash and cash equivalents at beginning of year	638,944	705,902
Cash and cash equivalents at end of year	<u>\$ 544,494</u>	<u>\$ 638,944</u>

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

	<u>2016</u>	<u>2015</u>
Change in Net Assets	\$ 366,604	\$ (343,837)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	43,746	35,640
Permanently restricted contributions received	(86,013)	(322,601)
Net realized/unrealized (gains) and losses on investments	(238,841)	247,748
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	12,335	(15,899)
(Increase) Decrease in prepaid expenses	(149)	(25,438)
Increase (Decrease) in accounts payable	(155,459)	166,870
Increase (Decrease) in sales tax payable	(12)	4
Increase (Decrease) in security deposits payable	10,350	1,600
Increase (Decrease) in deferred revenue	4,052	605
Increase (Decrease) in refundable advance	69,611	192,500
Net Cash Provided (Used) by Operating Activities	<u>\$ 26,224</u>	<u>\$ (62,808)</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, 2016
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2015

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, 2016
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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 \$42,883 as accounts receivable as of December 31, 2016. 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
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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. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Advance payments on conditional promises to give are recorded as refundable advances in the statement of financial position until the conditions are met.

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 to donor-restricted endowment funds.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
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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 \$141,494 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, 2016
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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, 2015, 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.

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 9, 2017, the date on which the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS:

For the purposes of balance sheet classification, the cash and cash equivalents consist of the following:

	2016	2016	2016	2015
	Unrestricted	Permanently Restricted	Total	Total
Cash and certificates of deposit	\$ 223,701	\$ 258,519	\$ 482,220	\$ 582,952
Money market funds and short term investments	320,793	370,725	691,518	818,836
Total	<u>\$ 544,494</u>	<u>\$ 629,244</u>	<u>\$ 1,173,738</u>	<u>\$ 1,401,788</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 – INVESTMENTS:

The following schedule summarizes the investment income and its classification in the Statement of Activities for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 17,761	\$ 220,523	\$ -	\$ 238,284
Net realized/unrealized gain	15,072	223,769	-	238,841
Total investment gain	<u>\$ 32,833</u>	<u>\$ 444,292</u>	<u>\$ -</u>	<u>\$ 477,125</u>

The following schedule summarizes the investment income and its classification in the Statement of Activities for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 17,250	\$ 194,548	\$ -	\$ 211,798
Net realized/unrealized loss	(23,891)	(223,857)	-	(247,748)
Total investment loss	<u>\$ (6,641)</u>	<u>\$ (29,309)</u>	<u>\$ -</u>	<u>\$ (35,950)</u>

Investment management fees totaled \$81,332 and \$75,903 for the years ended December 31, 2016 and 2015, 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:

	<u>2016</u>	<u>2015</u>
Investments	\$ 4,791,538	\$ 4,461,056
Permanently restricted investments	5,537,333	5,326,117
	<u>\$ 10,328,871</u>	<u>\$ 9,787,173</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
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NOTE 3 – INVESTMENTS: (continued)

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:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 691,518	\$ 818,836
Corporate bonds	815,072	818,820
Corporate bond funds	1,812,744	2,103,320
US government securities	308,753	313,966
Common stocks	3,450,919	2,087,410
Domestic mutual funds	1,824,610	3,123,710
International mutual funds	1,832,930	1,076,362
Real estate investment trust	283,843	263,585
	<u>11,020,389</u>	<u>10,606,009</u>
Money market funds, reclassified as cash and cash equivalents on Statement of Financial Position	(691,518)	(818,836)
Total Investments	<u>\$ 10,328,871</u>	<u>\$ 9,787,173</u>

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

	2016		2015	
	2016 Unrestricted	Permanently Restricted	2016 Total	2015 Total
Real estate	\$ 165,000	\$ -	\$ 165,000	\$ 148,500
Cash value of life insurance policies	4,290	42,999	47,289	45,434
	<u>\$ 169,290</u>	<u>\$ 42,999</u>	<u>\$ 212,289</u>	<u>\$ 193,934</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.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2015

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

The following investments are measured at fair value on a recurring basis based on the following input levels at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 815,072	\$ -	\$ -	\$ 815,072
Corporate bond funds	1,812,744	-	-	1,812,744
US government securities	308,753	-	-	308,753
Common stocks	3,450,919	-	-	3,450,919
Domestic mutual funds	1,824,610	-	-	1,824,610
International mutual funds	1,832,930	-	-	1,832,930
Real estate investment trust	283,843	-	-	283,843
Other investments	-	-	212,289	212,289
	<u>\$ 10,328,871</u>	<u>\$ -</u>	<u>\$ 212,289</u>	<u>\$ 10,541,160</u>

The following investments are measured at fair value on a recurring basis based on the following input levels at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 818,820	\$ -	\$ -	\$ 818,820
Corporate bond funds	2,103,320	-	-	2,103,320
US government securities	313,966	-	-	313,966
Common stocks	2,087,410	-	-	2,087,410
Domestic mutual funds	3,123,710	-	-	3,123,710
International mutual funds	1,076,362	-	-	1,076,362
Real estate investment trust	263,585	-	-	263,585
Other investments	-	-	193,934	193,934
	<u>\$ 9,787,173</u>	<u>\$ -</u>	<u>\$ 193,934</u>	<u>\$ 9,981,107</u>

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.

The change in the Foundation's level 3 assets for the year ended December 31, 2016, was \$18,355, and is included in the temporarily restricted investment income (loss) on the Statement of Activities.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2015

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, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 2,633,720	\$ 6,129,888	\$ 8,763,608
Investment income			
Interest and dividends	184,210	-	184,210
Net realized/unrealized gains	173,225	-	173,225
Total investment gain	357,435	-	357,435
Contributions to perpetual endowment	-	86,013	86,013
Amounts appropriated for expenditure	(275,254)	-	(275,254)
Change in endowment net assets	82,181	86,013	168,194
Endowment assets, end of year	<u>\$ 2,715,901</u>	<u>\$ 6,215,901</u>	<u>\$ 8,931,802</u>

The following summarizes the changes in endowment assets for the year ended December 31, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 3,167,292	\$ 5,807,287	\$ 8,974,579
Investment income			
Interest and dividends	161,750	-	161,750
Net realized/unrealized losses	(214,441)	-	(214,441)
Total investment loss	(52,691)	-	(52,691)
Contributions to perpetual endowment	-	322,601	322,601
Amounts appropriated for expenditure	(480,881)	-	(480,881)
Change in endowment net assets	(533,572)	322,601	(210,971)
Endowment assets, end of year	<u>\$ 2,633,720</u>	<u>\$ 6,129,888</u>	<u>\$ 8,763,608</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2015

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT:

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

	<u>2016</u>	<u>2015</u>
Land	\$ 303,220	\$ 303,220
Buildings and improvements	1,247,202	1,247,202
Equipment, furniture, and fixtures	543,873	531,123
Total	<u>2,094,295</u>	<u>2,081,545</u>
Less: Accumulated depreciation	<u>(1,006,507)</u>	<u>(962,761)</u>
Land, buildings, and equipment - net	<u>\$ 1,087,788</u>	<u>\$ 1,118,784</u>

Depreciation expense for the years ended December 31, 2016 and 2015, amounted to \$43,746 and \$35,640, respectively.

NOTE 7 – REFUNDABLE ADVANCES:

During 2015, a local business pledged \$4.2 million to the Foundation in return for naming rights on the SFSC Theatre for Performing Arts, a building that is owned by the College, for a 30 year period. The pledge is payable beginning November 15, 2015, in 20 annual installments of \$210,000. Per the agreement, there is a “pro-rata refund clause”. The Foundation considers this pledge a conditional pledge and will recognize contribution revenue as time restrictions expire. In years 1 through 20, the amount of pro-rata refund is \$70,000 times the actual number of annual payments made at the time of termination. In years 21 through 30, the amount of the pro-rata refund is \$140,000 times the number of years left under the agreement at the time of termination. At December 31, 2016, the total payments received on the pledge were \$420,000, of which \$157,889 has been recognized as revenue and \$262,111 is recorded as refundable advances on the Statement of Financial Position. During the year ended December 31, 2016, the Foundation recognized \$140,000 as unrestricted contribution revenue.

NOTE 8 – 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, 2016 had no deposits that were not insured.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2015

NOTE 9 - 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 10.

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>2016</u>	<u>2015</u>
Scholarships and waivers	\$ 298,356	\$ 317,762
Grants to college	58,985	48,701
Utilities	84,888	79,370
Payroll and related expenses	81,398	54,080
General and administrative	439,981	358,706
Total	<u>\$ 963,608</u>	<u>\$ 858,619</u>

The Foundation's accounts payable balance at December 31, 2016 includes \$160,247 that is owed the College.

NOTE 10 – RENT INCOME / LEASE AGREEMENTS:

The Foundation owns various properties in Highlands County, Florida that it leases to the College and others. These lease agreements are renewable annually upon mutual consent of both parties and do not extend beyond one year.

The following is a schedule of properties leased to the College and others during the fiscal year ended December 31, 2016:

<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	\$ 74,844		
Others	Hotel Jacaranda – Dorm rentals	226,363		
Others	Hotel Jacaranda – Other rentals	10,341		
	Subtotal - Hotel Jacaranda	311,548	\$ 1,481,202	\$ 501,502
College	Teacherage – Sebring, FL	9,654	35,500	14,950
		<u>\$ 321,202</u>		

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2015

NOTE 10 – 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, 2015:

<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	\$ 73,020		
Others	Hotel Jacaranda – Dorm rentals	186,692		
Others	Hotel Jacaranda – Other rentals	12,312		
	Subtotal - Hotel Jacaranda	272,024	\$ 1,481,202	\$ 470,972
College	Teacherage – Sebring, FL	9,420	35,500	14,300
		\$ 281,444		

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS:

As of December 31, 2016, temporarily restricted net assets in the amount of \$4,685,308 are available for various scholarship programs.

NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS:

As of December 31, 2016, permanently restricted net assets in the amount of \$6,215,901 are restricted to investment in perpetuity, the income of which is available for various scholarship programs.

NOTE 13 – 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 \$112,318 were spent under the Take Stock in Children Program (167-96445-9QT01, 167-96445-0QT01).

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J. Richard Brown, C.P.A. (1940 - 1997)
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Cheryl M. Williams, C.P.A., P.A.
C. Mark Cox, C.P.A., P.A.
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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, 2016, 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 9, 2017.

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.

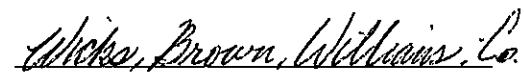
Board of Directors (continued)

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.
Sebring, Florida

May 9, 2017