

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITORS' 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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2018, 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

Change in Accounting Principle

As described in Note 14 to the financial statements, effective January 1, 2018, the Foundation adopted Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, 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 solely 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 the effectiveness of South Florida State College Foundation's 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., CPA's LLP
Sebring, Florida

May 14, 2019

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Assets:	
Cash and cash equivalents	\$ 618,469
Investments	795,597
Other investments	4,578
Accounts receivable	39,050
Prepaid expenses	50,631
Land, buildings, and equipment, net	1,003,438
Restricted assets:	
Cash and cash equivalents restricted for investment in endowment	642,512
Investments	10,358,716
Accounts receivable	50,599
Total Assets	<u>\$ 13,563,590</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 101,889
Sales tax payable	121
Security deposits payable	18,700
Unearned revenue	5,600
Refundable advances	396,667
Total Liabilities	<u>522,977</u>
Net Assets:	
Without donor restrictions	2,063,508
With donor restrictions	10,977,105
Total Net Assets	<u>13,040,613</u>
Total Liabilities and Net Assets	<u>\$ 13,563,590</u>

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public contributions and grants	\$ 354,713	\$ 434,883	\$ 789,596
Donated services	164,742	-	164,742
Rent	352,132	-	352,132
Miscellaneous	44	-	44
Investment income (loss)	(107,066)	(710,238)	(817,304)
Net assets released from restrictions:			
Restrictions satisfied			
by payments	828,890	(828,890)	-
Total Support and Revenue	<u>1,593,455</u>	<u>(1,104,245)</u>	<u>489,210</u>
Expenses and Loss:			
Program Services:			
Jacaranda Dorm	155,604	-	155,604
Property rentals	128,231	-	128,231
Take Stock in Children	202,275	-	202,275
Scholarships and grants	743,548	-	743,548
Total Program Expenses	<u>1,229,658</u>	<u>-</u>	<u>1,229,658</u>
Fundraising	88,704	-	88,704
Management and general	176,939	-	176,939
Total Expenses	<u>1,495,301</u>	<u>-</u>	<u>1,495,301</u>
Change in Net Assets	98,154	(1,104,245)	(1,006,091)
Net Assets at beginning of year	1,965,354	12,081,350	14,046,704
Net Assets at end of year	<u>\$ 2,063,508</u>	<u>\$ 10,977,105</u>	<u>\$ 13,040,613</u>

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

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			
	Jacaranda Dorm	Property Rentals	Take Stock in Children	Scholarships and Grants
Freight and postage	\$ -	\$ -	\$ 627	\$ 70
Printing	-	-	-	604
Other services	52,595	-	110,838	2,150
Other services - custodial	15,990	15,346	-	-
Education, office, department materials	131	-	2,090	1,356
Other materials and supplies	1,326	15	-	98
Food and food products	1,773	-	2,766	1,272
Travel	-	-	5,946	1,915
Professional fees	-	-	-	61,050
Bank service fees	-	-	2,453	16,626
Advertising	-	-	395	307
Scholarships and waivers	-	-	49,375	502,971
Grants to college	-	-	-	35,369
Grants to college employees	-	-	-	-
Telecommunications	-	6,000	-	-
Internet service	2,208	1,382	-	-
Repairs and maintenance	1,454	18,852	-	-
Utilities	38,505	38,505	-	-
Maintenance and construction material	475	-	-	-
Minor equipment	-	274	-	653
Other expenses	-	-	-	30,000
Service contracts	226	-	863	-
Insurance	22,595	33,735	-	-
Taxes	-	3,223	-	-
Administrative allowance	2,496	2,496	9,984	26,446
Contributed services	4,112	4,112	16,448	43,568
Depreciation	11,718	4,291	490	19,093
Total Functional Expenses	\$ 155,604	\$ 128,231	\$ 202,275	\$ 743,548

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

Supporting Services

Fundraising	Management and General	Total Expense
\$ 482	\$ 2,057	\$ 3,236
1,649	8,022	10,275
6,367	4,457	176,407
-	-	31,336
1,456	5,131	10,164
619	265	2,323
10,066	10,558	26,435
-	5,835	13,696
-	18,332	79,382
-	(3,604)	15,475
1,190	1,917	3,809
-	-	552,346
-	-	35,369
-	945	945
-	-	6,000
-	-	3,590
-	8,566	28,872
-	-	77,010
-	-	475
-	309	1,236
250	-	30,250
-	14,125	15,214
-	907	57,237
-	-	3,223
24,950	33,628	100,000
41,103	55,399	164,742
572	10,090	46,254
\$ 88,704	\$ 176,939	\$1,495,301

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities:	
Cash received from contributors and grants	\$ 426,097
Cash received from property rental	346,202
Cash received from miscellaneous income	44
Cash received from income and dividends	304,233
Cash payments to suppliers for goods and services	(423,956)
Cash payments for employee compensation and related expenses	(183,069)
Cash payments for scholarships and grants	(743,548)
Net Cash Used by Operating Activities	<u>(273,997)</u>
Cash Flows from Investing Activities:	
Purchases of assets restricted for investment in endowment, net	(45,909)
Purchase of securities	(1,384,270)
Sale of securities	1,221,777
Net Cash Used by Investing Activities	<u>(208,402)</u>
Cash Flows from Financing Activities:	
Collections of contributions permanently restricted	432,433
Net Cash Provided by Financing Activities	<u>432,433</u>
Net Decrease in Cash	(49,966)
Cash and cash equivalents at beginning of year	668,435
Cash and cash equivalents at end of year	<u>\$ 618,469</u>
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities:	
Change in Net Assets	\$ (1,006,091)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	46,254
Permanently restricted contributions	(434,883)
Net realized/unrealized (gains) and losses on investments	1,040,205
Change in assets and liabilities:	
Decrease in accounts receivable	4,234
Decrease in prepaid expenses	664
Increase in accounts payable	12,599
Increase in sales tax payable	1
Increase in security deposits payable	1,800
Decrease in unearned revenue	(8,780)
Increase in refundable advance	70,000
Net Cash Used by Operating Activities	<u>\$ (273,997)</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, 2018

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 financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- **Without donor restrictions** – Net assets available for use in general operations and not subject to donor or grantor restrictions, including, if applicable, net assets that have been designated by the Board of Directors for expenditure on specific purposes or projects.
- **With donor restrictions** – Net assets subject to restrictions imposed by donors or grantors. Some donor-imposed restrictions are temporary in nature; such as those that will be met by the passage of time and/or actions of the Foundation. Other donor-imposed restrictions are perpetual in nature, where by the donor stipulates that resources be maintained in perpetuity. 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. Expirations of donor 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 net assets with donor restrictions to net assets without donor restrictions. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

The statement of activities presents the changes in net assets of the Foundation for the two 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, 2018

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 and restricted assets are pooled together for investment purposes in order to maximize investment return.

Accounts Receivable: The Foundation has reported \$39,050 as accounts receivable as of December 31, 2018. The Foundation has reported \$50,599, as restricted accounts receivable as of December 31, 2018. 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, 2018

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 recorded 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 increases to net assets "with donor restrictions" in the statement of activities. When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions support. Endowment returns are credited to the net assets with donor restrictions fund 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 net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes. Net assets with donor restrictions 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, 2018

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 6 - 8 percent annually. Actual returns in any given year may vary from this amount.

Spendable portions of endowments are recorded in the net assets without donor restrictions while the non-spendable portions of endowments are recorded in the net assets with donor restrictions 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 - 4 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 \$164,742 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, 2018

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

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.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Directly identifiable expenses are charged to program and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Certain categories of expenses are attributable to both program services and supporting services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is allocated on a square-footage basis, as well as administrative allowance and contributed services, which are allocated based on estimates of time and effort.

Subsequent Events: Subsequent events have been evaluated through May 14, 2019, 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 at December 31, 2018:

	Unrestricted	Restricted	Total
Cash and certificates of deposit	\$ 277,694	\$ 288,489	\$ 566,183
Money market funds and short term investments	340,775	354,023	694,798
Total	<u>\$ 618,469</u>	<u>\$ 642,512</u>	<u>\$ 1,260,981</u>

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – INVESTMENTS:

The following schedule summarizes the investment income and its classification in the Statement of Activities for the year ended December 31, 2018:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 37,009	\$ 267,224	\$ 304,233
Net realized/unrealized loss	(137,465)	(902,740)	(1,040,205)
Investment management fees	(6,610)	(74,722)	(81,332)
Total investment loss	<u>\$ (107,066)</u>	<u>\$ (710,238)</u>	<u>\$ (817,304)</u>

The investments are grouped in the Statement of Financial Position at December 31, 2018, as follows:

Investments	\$ 795,597
Restricted investments	10,358,716
	<u>\$ 11,154,313</u>

The Foundation's investments consist of the following at December 31, 2018, which are recorded at fair value, which is based on quoted prices in active markets:

Money market funds	\$ 694,798
Corporate bonds	1,294,802
Corporate bond funds	2,156,120
Common stocks	3,554,179
Domestic mutual funds	2,319,605
International mutual funds	1,829,607
	<u>11,849,111</u>
Money market funds, reclassified as cash and cash equivalents on Statement of Financial Position	(694,798)
Total Investments	<u>\$ 11,154,313</u>

The Foundation's other investments consist of \$4,578 cash value of a life insurance policy at December 31, 2018, which is without donor restrictions.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 1,294,802	\$ -	\$ -	\$ 1,294,802
Corporate bond funds	2,156,120	-	-	2,156,120
Common stocks	3,554,179	-	-	3,554,179
Domestic mutual funds	2,319,605	-	-	2,319,605
International mutual funds	1,829,607	-	-	1,829,607
Other investments	-	-	4,578	4,578
	<u>\$11,154,313</u>	<u>\$ -</u>	<u>\$ 4,578</u>	<u>\$11,158,891</u>

Fair value of the Foundation's corporate bonds, 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.

The change in the Foundation's level 3 assets for the year ended December 31, 2018, was a decrease of \$44,875. During the year, other investments in the amount of \$47,849, became a receivable due to the death of the insured, and is included in the restricted accounts receivable on the Statement of Financial Position. The cash value of the life insurance policies increased by \$2,974, and is included in the investment income (loss) with donor restrictions on the Statement of Activities.

NOTE 5 – ENDOWMENT ACTIVITY:

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

Endowment returns are credited to the net assets with donor restrictions fund in accordance with grantor restrictions. Expenditures for grantor purposes are made from the restricted portion of endowments.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 – ENDOWMENT ACTIVITY: (continued)

The following summarizes the changes in endowment assets for the year ended December 31, 2018:

Donor-restricted endowment	
net assets, beginning of year	\$ 9,974,211
Investment income	
Interest and dividends	221,823
Net realized/unrealized losses	(752,123)
Total investment loss	<u>(530,300)</u>
Contributions to perpetual endowment	96,696
Amounts appropriated for expenditure	(429,158)
Change in endowment net assets	<u>(862,762)</u>
Donor-restricted endowment	
net assets, end of year	<u><u>\$ 9,111,449</u></u>

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT:

The following is a summary of land, buildings, and equipment at December 31, 2018:

	2018
Land	\$ 303,220
Buildings and improvements	1,247,202
Equipment, furniture, and fixtures	<u>550,037</u>
Total	2,100,459
Less: Accumulated depreciation	<u>(1,097,021)</u>
Land, buildings, and equipment - net	<u><u>\$ 1,003,438</u></u>

Depreciation expense for the year ended December 31, 2018, amounted to \$46,254.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the total payments received on the pledge were \$840,000, of which \$443,333 has been recognized as revenue and \$396,667 is recorded as refundable advances on the Statement of Financial Position. During the year ended December 31, 2018, 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. The Foundation at December 31, 2018 had no deposits that were not insured.

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, 2018:

Scholarships and waivers	\$ 301,944
Grants to college	94,981
Utilities	78,174
Payroll and related expenses	72,607
General and administrative	201,772
Total	<u>\$ 749,478</u>

The Foundation’s accounts payable balance at December 31, 2018 includes \$95,380 that is owed the College.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018:

<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	\$ 78,588		
Others	Hotel Jacaranda – Dorm rentals	239,109		
Others	Hotel Jacaranda – Other rentals	24,301		
	Subtotal - Hotel Jacaranda	341,998	\$ 1,481,202	\$ 562,561
College	Teacherage – Sebring, FL	10,134	35,500	16,250
		<u>\$ 352,132</u>		

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS:

As of December 31, 2018, net assets with donor restrictions are available for the following purposes:

Scholarship programs	\$ 4,600,503
Investment in perpetuity	<u>6,376,602</u>
Total net assets with donor restrictions	<u>\$10,977,105</u>

NOTE 12 – LIQUIDITY AND AVAILABILITY:

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 618,469
Investments	795,597
Accounts receivable	39,050
Prepaid expenses	50,632
	<u>\$1,503,748</u>

The Foundation's financial assets have been reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing in endowments.

SOUTH FLORIDA STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 \$106,767 were spent under the Take Stock in Children Program (167-96445-7Q001).

NOTE 14 – NEW ACCOUNTING POLICY:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Foundation's fiscal year ending December 31, 2018, and thereafter and must be applied on a retrospective basis. The Foundation adopted the ASU effective January 1, 2018, and has adjusted the presentation of these statements accordingly.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Foundation's net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions. Likewise, the Foundation's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

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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, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2019.

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., CPA's LLP
Sebring, Florida

May 14, 2019

Wicks, Brown, Williams & Co., CPA's LLP

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May 14, 2019

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. ("Foundation") for the year ended December 31, 2018, and have issued our report thereon dated May 14, 2019. 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 7, 2019. 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. As described in Note 14, the Foundation has adopted Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Foundation 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. There were no misstatements identified during the audit.

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 14, 2019.

Management Consultations with Other Independent Accountants

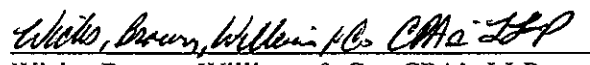
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of 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., CPA's LLP
Sebring, Florida