



**Valencia College  
Foundation, Inc.**



**Financial Statements**  
Years Ended March 31, 2013 and 2012

**CFR**  
**CROSS, FERNANDEZ & RILEY, LLP**  
*Accountants & Consultants*

# Valencia College Foundation, Inc.

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## Independent Auditor's Report

Board of Directors  
Valencia College Foundation, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Valencia College Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of March 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valencia College Foundation, Inc. as of March 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Overview and Analysis of the Foundation's Finances on Pages 5 through 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2013 on our consideration of Valencia College Foundation, Inc.'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 Valencia College Foundation, Inc.'s internal control over financial reporting and compliance.

*Cross, Fernandez & Riley, LLP*

Certified Public Accountants

July 29, 2013

# Valencia College Foundation, Inc.

## Overview and Analysis of the Foundation's Finances

As the leadership of Valencia College Foundation, Inc. (the "foundation"), we offer readers of the foundation's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2013. We encourage readers to consider this information in conjunction with the independent auditors' report and the basic financial statements included herein.

This report represents the foundation leadership's overview of the organization's financial health and well-being. Consequently, we assume full responsibility for the completeness and reliability of all information. To provide a reasonable basis for making these representations, the foundation has established a comprehensive internal controls framework designed to protect the foundation's assets from loss, theft or misuse. These controls also allow the external auditors to compile sufficient, reliable information for the preparation of the foundation's financial statements conforming to accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the foundation's controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We confirm that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The foundation's financial statements have been audited by Cross, Fernandez & Riley, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the foundation as of and for the fiscal year ended March 31, 2013 are complete, accurate and free of material misstatement. The independent audit involved: a test-basis examination of evidence supporting the amounts and disclosures in the financial statements; assessment of the accounting principles used and estimates made by the foundation's management; and evaluation of the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the foundation's financial statements as of and for the fiscal year ended March 31, 2013 are accurately presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

### Financial Highlights

On March 31, 2013, the assets of the foundation exceeded its liabilities by \$67,960,185 (net assets). Of this amount:

- \$7,528,155 (unrestricted net assets) may be used to provide academic, community and college program support, as well as general and administrative support;

# Valencia College Foundation, Inc.

## Overview and Analysis of the Foundation's Finances

- \$28,350,098 (temporarily restricted net assets) represents funds which have been limited by donors with time restrictions or for special purposes; and
- \$32,081,932 (permanently restricted net assets) is the non-expendable portion of funds that are invested in perpetuity.
- The foundation's net assets increased by 7 percent or \$4.5 million to a fiscal year-end balance of \$67,960,185. This change is largely attributable to realized and unrealized gains on the foundation's investment portfolio.

One hundred percent of every gift to the foundation goes directly to the donor's intended purpose. So, a \$1,000 scholarship contribution is directed entirely to scholarships without a percentage deducted for administration, overhead or any other expense. The foundation's operating budget is derived primarily from revenue generated by a lease on foundation-owned property, in-kind contributions, and 1.5 percent annualized and drawn quarterly from the endowment's fair market value. More than 40 percent of the budget is lease revenues and operating budget support from Valencia College. The balance of the operating budget is endowment performance revenue and in-kind contributions.

### Overview of Financial Statements

One important concern of donors is to determine whether Valencia College Foundation, as a whole, has improved its financial health during the past fiscal year. A review of the foundation's statements of financial position, statements of activities, statements of cash flows and the notes to the financial statements helps to answer this question. It's also important to consider how external factors may impact foundation financials; these issues could include economic trends, stock market performance, Valencia College needs, and state and federal regulations that govern fiscal reporting for non-profits.

- The statement of financial position presents information on all of the foundation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the foundation's well-being.
- The statement of activities shows whether revenues and other support exceeded expenses, which results in either an increase or a decrease in net assets. All net asset changes are reported on an accrual basis, regardless of the timing of the related cash flows. Revenues and expenses are reported in these statements for some items or events that will result in cash flows in future periods, if at all (unrealized gains and losses on investments, for example).

# Valencia College Foundation, Inc.

## Overview and Analysis of the Foundation's Finances

- The statement of cash flows identifies the changes in cash activity for the period. The primary purpose of this statement is to provide relevant information about cash receipts and cash payments of the foundation throughout the fiscal year. For example, accruals and unrealized gains and losses are adjusted to reflect only items that provided or used cash during the fiscal year.

	<u>Statement of Financial Position</u>		
	March 31,		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Cash and cash equivalents	\$ 1,748,056	\$ 3,928,949	\$(2,180,893)
Investments	56,897,420	53,725,789	3,171,631
Pledges receivable - net	1,016,038	1,493,356	(477,318)
Florida prepaid tuition scholarships	2,302,911	1,747,155	555,756
Rental property - net	6,273,650	3,131,483	3,142,167
Other assets	97,919	96,300	1,619
Total assets	<u>68,335,994</u>	<u>64,123,032</u>	<u>4,212,962</u>
Liabilities	<u>(375,809)</u>	<u>(708,344)</u>	<u>332,535</u>
Net assets	<u>\$67,960,185</u>	<u>\$63,414,688</u>	<u>\$ 4,545,497</u>

### Foundation purchases new Valencia College district office

The foundation bought real property located at 1768 Park Center Drive in MetroWest for the benefit of Valencia College. This building will serve as the new location for the college's district office, enabling the college to bring its full administrative staff together in one location and release offices on multiple campuses for classrooms. The purchase price of the property and 57,680-square-foot building was \$3,100,000. Foundation staff used money market funds in the investment pool portfolio, which lowered the balance of cash and equivalents. The balance of the funding for the purchase came from liquidating equity funds. A corresponding increase in rental property on the balance sheet results in minimal impact to the value of the foundation's total assets. Note 5 of the financial statements provides further details on the foundation's property holdings. Renovations to the building will occur during 2013-14. Once improvements are complete, the college and foundation will move to the building, and the college will pay rent in the amount of \$459,527 annually to the foundation.

# Valencia College Foundation, Inc.

## Overview and Analysis of the Foundation's Finances

### **Foundation investment portfolio totals \$57 million**

As of March 31, 2013, investment holdings account for 83 percent of total assets. The purpose of the investment pool is to preserve and enhance the real purchasing power of contributed funds, while providing an earnings stream to support Valencia College. The value of the foundation's investments totals about \$56.9 million. That represents an increase of more than \$3 million from the previous fiscal year end value of \$53.7 million. The foundation's investment portfolio experienced strong performance and investment returns during the year. Despite liquidating a small portion of equity funds for the Park Place purchase, the portfolio increased 5 percent in value. A diverse asset allocation of domestic and international equities, fixed-income and alternative investments ensures the foundation is able to provide for the short-term, as well as the long-term, needs of the college. The foundation's finance committee meets quarterly to review the investment portfolio and asset allocation, analyze performance returns, and determine the annual spending policy.

Total liabilities remain modest at \$375,809 as of March 31, 2013, which includes accounts payable and accrued expenses, as well as deferred revenue and a charitable gift annuity. The decrease in total liabilities of 47 percent is mostly due to the decrease in accounts payable. Three months of prepaid rent (totaling \$73,500 for the downtown building) is included in deferred revenue.

The foundation maintains positive balances in all net asset categories. As of the 2013 fiscal yearend, 47 percent of the foundation's net assets are permanently restricted and 42 percent are temporarily restricted. The remaining balance of net assets, approximately 11 percent, is unrestricted and may be used to meet the foundation's ongoing obligations, as well as allow it to take advantage of grant-matching opportunities.



# Valencia College Foundation, Inc.

## Overview and Analysis of the Foundation's Finances

### Statement of Activities

	Year ended March 31,		Change
	2013	2012	
<b>Revenue:</b>			
Contributions	\$2,021,215	\$2,912,084	\$ (890,869)
Florida prepaid matching contribution	224,992	257,649	(32,657)
State support	124,082	130,058	(5,976)
Rent	401,306	647,920	(246,614)
Investment income (including net gains)	5,117,106	1,613,423	3,503,683
Unrealized gain/(loss) on Florida prepaid scholarships	105,773	(198,018)	303,791
Special event – A Taste for Learning	269,588	315,951	(46,363)
Other revenue	164,427	203,898	(39,471)
Total revenue	<b>8,428,489</b>	<b>5,882,965</b>	<b>2,545,524</b>
<b>Expenses:</b>			
Program	2,482,440	7,624,166	(5,141,726)
Management and general*	947,533	739,769	207,764
Fundraising*	453,019	400,978	52,041
Total expenses	<b>3,882,992</b>	<b>8,764,913</b>	<b>(4,881,921)</b>
Change in net assets	<b>\$4,545,497</b>	<b>\$(2,881,948)</b>	<b>\$7,427,445</b>

\* Management and general expenses, and fundraising expenses are paid from the foundation's operating budget, which is derived primarily from lease payments for foundation-owned properties, in-kind contributions and other operating support from Valencia College. Not a single penny of any expenses comes from donor gifts.

### Revenue increased 43 percent

Total revenue for the 2012-13 fiscal year increased \$2.5 million compared with the previous fiscal year: 61 percent of revenue is investment pool performance and 24 percent came from contributions. Realized and unrealized gains on the investment portfolio increased by more than \$2.9 million from last year, which echoes the strong performance results of the U.S. markets for the same time period.

Contributions for the year added up to \$2.02 million, with \$936,450 (46 percent) temporarily restricted. Temporarily restricted gifts are available to spend once the donor-imposed restrictions are met. Typical restrictions include scholarship awards for students who meet certain requirements, such as minimum grade point average or field of study. Unrestricted contributions increased 61 percent over last year and are primarily in-kind and operating support from the college. During the Recession and economic recovery permanently restricted endowment

# Valencia College Foundation, Inc.

## Overview and Analysis of the Foundation's Finances

contributions lag behind as more donors have expressed a preference for in-out gifts that are expended within the year, rather than endowed funds. These non-endowed funds are immediately available for student support or to give the foundation flexibility in addressing a variety of college funding needs.

The foundation raised approximately \$270,000 in cash and in-kind donations for the sixth signature event, A Taste for Learning. The event marks the continuation of the foundation's joint philanthropy efforts as it was co-hosted with Orlando Health Foundation to benefit scholarships and medical education. This event could not be possible without the generous commitment of dozens of community partners who contribute the venue, food, wine, décor, marketing, auction items and other resources. Valencia Foundation and Orlando Health Foundation will again join together to host Taste on May 17, 2014.

Program services made up 64 percent of total disbursements, and included scholarships, endowed faculty chairs, capital projects and equipment, and academic programs. Disbursements in support of scholarships and academic programs totaled more than \$2 million. This amount includes \$100,000 to establish a new scholarship at University of Central Florida. The funds, which are matched by UCF Foundation and Johnson Scholarship Foundation, will provide scholarships to Valencia grads in the DirectConnect to UCF program. Additionally, Johnson Scholarship Foundation contributed \$50,000 to Valencia Foundation for students completing their AA before transferring to UCF. The scholarship represents an unprecedented partnership with JSF, UCF and three other state colleges to make funding available to students who otherwise would not have the financial resources needed to reach their educational goals.

### Statement of Cash Flows

	Year ended March 31,	
	2013	2012
Cash flows:		
Net cash provided by (used in) operating activities	\$1,211,805	\$(3,374,619)
Net cash used in investing activities	(3,392,698)	(1,721,762)
Net decrease in cash and cash equivalents	(2,180,893)	(5,096,381)
Cash and cash equivalents, beginning of year	3,928,949	9,025,330
Cash and cash equivalents, end of year	\$1,748,056	\$ 3,928,949

The statement of cash flows provides information about the foundation's major sources and uses of cash and cash equivalents. It also provides another way to assess the financial viability of the foundation. For purposes of cash flow, the foundation classifies as "cash equivalent" all highly

# Valencia College Foundation, Inc.

## Overview and Analysis of the Foundation's Finances

liquid debt instruments with a maturity of three months or fewer. With \$1.7 million in cash and cash equivalents, the foundation continues to maintain ample liquidity and flexibility.

Overall, cash and cash equivalents decreased 56 percent (\$2,180,893) because of the planned, strategic purchase of the new district office for the college.

The mission-driven work and financial outcomes shared in this report would not have been possible without the commitment and service of the foundation staff and our dedicated board of directors. Our board unfailingly supports the team in remaining true to our guiding principles and offering our donors and partners the highest standards of professionalism. Because of their stewardship, the foundation is on very solid financial ground and is poised to enhance and expand service to Valencia College, our students and our Central Florida community.

Respectfully submitted,

Geraldine Gallagher, CFRE  
Valencia College Foundation President and CEO

Michelle Matis  
Valencia College Foundation Vice President, COO and CFO

# Valencia College Foundation, Inc.

## Statements of Financial Position

<i>March 31,</i>	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 1,748,056	\$ 3,928,949
Investments (Note 2)	56,897,420	53,725,789
Pledges receivable, net (Note 3)	1,016,038	1,493,356
Florida prepaid tuition scholarships (Note 4)	2,302,911	1,747,155
Rental property, net (Note 5)	6,273,650	3,131,483
Other assets	97,919	96,300
<b>Total assets</b>	<b>\$ 68,335,994</b>	<b>\$ 64,123,032</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses (Note 6)	\$ 216,524	\$ 452,179
Deferred revenue	100,100	196,980
Trust liability	59,185	59,185
<b>Total liabilities</b>	<b>375,809</b>	<b>708,344</b>
<b>Commitments and contingencies (Notes 7 and 10)</b>		
<b>Net assets</b>		
Unrestricted	7,528,155	6,655,566
Temporarily restricted (Note 8)	28,350,098	25,035,411
Permanently restricted (Note 9)	32,081,932	31,723,711
<b>Total net assets</b>	<b>67,960,185</b>	<b>63,414,688</b>
<b>Total liabilities and net assets</b>	<b>\$ 68,335,994</b>	<b>\$ 64,123,032</b>

*See accompanying independent auditor's report and notes to financial statements.*

# Valencia College Foundation, Inc.

## Statements of Activities

<i>Year ended March 31, 2013</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Revenues, gains, (losses) and other support:</b>				
Contributions (Note 6)	\$ 750,824	\$ 936,450	\$ 333,941	\$ 2,021,215
Florida prepaid matching contribution	224,992	—	—	224,992
State support	—	124,082	—	124,082
Rent (Note 6)	401,306	—	—	401,306
Interest and dividends	22,348	1,832,160	—	1,854,508
Net realized and unrealized gains on investments	36,163	3,226,435	—	3,262,598
Unrealized gain on Florida prepaid tuition scholarships (Note 4)	105,773	—	—	105,773
Special event – A Taste for Learning	—	269,588	—	269,588
Special event – other (net)	—	85,206	—	85,206
Other revenue, net	(21,828)	101,049	—	79,221
Net assets released from restrictions (Note 8):				
Program support	2,410,321	(2,410,321)	—	—
Administrative support	825,682	(825,682)	—	—
<b>Total revenues, gains (losses) and other support</b>	<b>4,755,581</b>	<b>3,338,967</b>	<b>333,941</b>	<b>8,428,489</b>
<b>Expenses:</b>				
Program	2,482,440	—	—	2,482,440
Management and general	947,533	—	—	947,533
Fundraising	453,019	—	—	453,019
<b>Total expenses</b>	<b>3,882,992</b>	<b>—</b>	<b>—</b>	<b>3,882,992</b>
<b>Change in net assets</b>	<b>872,589</b>	<b>3,338,967</b>	<b>333,941</b>	<b>4,545,497</b>
Net assets, beginning of year	6,655,566	25,035,411	31,723,711	63,414,688
Transfer of net assets	—	(24,280)	24,280	—
<b>Net assets, end of year</b>	<b>\$7,528,155</b>	<b>\$28,350,098</b>	<b>\$32,081,932</b>	<b>\$67,960,185</b>

*See accompanying independent auditor's report and notes to financial statements.*

# Valencia College Foundation, Inc.

## Statements of Activities

<i>Year ended March 31, 2012</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Revenues, gains, (losses) and other support:</b>				
Contributions (Note 6)	\$ 464,978	\$ 1,870,283	\$ 576,823	\$2,912,084
Florida prepaid matching contribution	257,649	—	—	257,649
State support	—	130,058	—	130,058
Rent (Note 6)	647,920	—	—	647,920
Interest and dividends	42,527	1,243,608	—	1,286,135
Net realized and unrealized gains on investments	9,140	318,148	—	327,288
Unrealized loss on Florida prepaid tuition scholarships (Note 4)	(198,018)	—	—	(198,018)
Special event – A Taste for Learning	—	315,951	—	315,951
Other revenue, net	(5,793)	209,691	—	203,898
Net assets released from restrictions (Note 8):				
Program support	6,959,918	(6,959,918)	—	—
Administrative support	274,127	(274,127)	—	—
<b>Total revenues, gains (losses) and other support</b>	<b>8,452,448</b>	<b>(3,146,306)</b>	<b>576,823</b>	<b>5,882,965</b>
<b>Expenses:</b>				
Program	7,624,166	—	—	7,624,166
Management and general	739,769	—	—	739,769
Fundraising	400,978	—	—	400,978
<b>Total expenses</b>	<b>8,764,913</b>	<b>—</b>	<b>—</b>	<b>8,764,913</b>
<b>Change in net assets</b>	<b>(312,465)</b>	<b>(3,146,306)</b>	<b>576,823</b>	<b>(2,881,948)</b>
<b>Net assets, beginning of year</b>	<b>6,968,031</b>	<b>28,022,313</b>	<b>31,306,292</b>	<b>66,296,636</b>
Transfer of net assets	—	159,404	(159,404)	—
<b>Net assets, end of year</b>	<b>\$6,655,566</b>	<b>\$25,035,411</b>	<b>\$31,723,711</b>	<b>\$63,414,688</b>

*See accompanying independent auditor's report and notes to financial statements.*

# Valencia College Foundation, Inc.

## Statements of Cash Flows

<i>Year ended March 31,</i>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 4,545,497	\$ (2,881,948)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	92,253	46,364
Increase in value of trust liabilities	22,800	5,791
Net realized and unrealized gains on investments	(3,262,598)	(327,288)
Non-cash matching contribution for Florida prepaid tuition scholarships	(224,992)	(257,649)
Unrealized (gain) loss on Florida prepaid tuition scholarships	(105,773)	198,018
Changes in:		
Pledges receivable	477,318	(29,240)
Other assets	(165)	97,457
Accounts payable and accrued expenses	(235,655)	(51,536)
Deferred revenue	(96,880)	(174,588)
<b>Net cash provided by (used for) operating activities</b>	<b>1,211,805</b>	<b>(3,374,619)</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(2,121,472)	(9,471,804)
Proceeds from sale of investments	2,212,439	8,031,014
Purchase of Florida prepaid tuition scholarships	(224,992)	(257,649)
Payments to beneficiaries under trust liabilities	(22,800)	(22,800)
Purchase of property and equipment	(3,235,873)	(2,520)
Proceeds from sale of equipment	-	1,997
<b>Net cash used for investing activities</b>	<b>(3,392,698)</b>	<b>(1,721,762)</b>
Net decrease in cash and cash equivalents	(2,180,893)	(5,096,381)
<b>Cash and cash equivalents, beginning of year</b>	<b>3,928,949</b>	<b>9,025,330</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,748,056</b>	<b>\$ 3,928,949</b>

*See accompanying independent auditor's report and notes to financial statements.*

## Valencia College Foundation, Inc.

### Statements of Functional Expenses

<i>Year ended March 31,</i>	2013				2012			
	<i>Supporting Services</i>				<i>Supporting Services</i>			
	<i>Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 150,983	\$479,299	\$230,738	\$ 861,020	\$ 147,984	\$429,755	\$214,538	\$ 792,277
Scholarships	1,383,797	-	-	1,383,797	1,346,738	-	-	1,346,738
Teaching chairs	92,056	-	-	92,056	127,873	-	-	127,873
Academic program support	578,060	-	-	578,060	271,045	-	-	271,045
Capital projects	-	-	-	-	5,463,612	-	-	5,463,612
College & community relations	272,228	-	-	272,228	255,586	-	-	255,586
Depreciation	-	92,253	-	92,253	-	46,364	-	46,364
Property taxes and insurance	-	74,391	-	74,391	-	7,140	-	7,140
Board functions and development	-	132,106	-	132,106	-	113,373	-	113,373
Other operating expenses	-	37,609	-	37,609	-	43,366	-	43,366
Special event – A Taste for Learning	-	-	181,715	181,715	-	-	170,670	170,670
Community relations	-	43,632	-	43,632	-	31,371	-	31,371
Professional services	-	27,789	-	27,789	-	26,526	-	26,526
Supplies & materials	-	27,528	-	27,528	-	27,361	-	27,361
Donor recognition and correspondence	-	-	40,566	40,566	-	-	15,770	15,770
Travel	-	13,260	-	13,260	-	7,318	-	7,318
Fiduciary fees	-	5,406	-	5,406	-	5,289	-	5,289
Tuition reimbursement	5,316	-	-	5,316	11,328	-	-	11,328
Equipment	-	14,260	-	14,260	-	1,906	-	1,906
	<b>\$2,482,440</b>	<b>\$947,533</b>	<b>\$453,019</b>	<b>\$3,882,992</b>	<b>\$7,624,166</b>	<b>\$739,769</b>	<b>\$400,978</b>	<b>\$8,764,913</b>

*See accompanying independent auditor's report and notes to financial statements.*



# Valencia College Foundation, Inc.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### Nature of Activities

Valencia College Foundation, Inc. (the “Foundation”) was established in 1974 to serve as a direct-support organization for Valencia College (“Valencia”) as provided in Section 1004.70 of the Florida Statutes. The Foundation is included as a discretely presented component unit in the Valencia College financial statements.

The Foundation’s principal function is to receive, hold, invest and administer charitable contributions for Valencia College.

#### Basis of Preparation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted – Represents funds that are available without restriction for carrying out the Foundation’s objectives.
- Temporarily Restricted – Represents funds whose use has been limited by donors for time restrictions or specific purposes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- Permanently Restricted – Represents the nonexpendable portion of funds that are invested in perpetuity.

#### Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to their nearness of their maturity and resulting use of cash.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

### **Cash Equivalents**

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### **Investments**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the dividend date.

### **Pledges Receivable**

Pledges receivable are unconditional promises to give and are recorded when the promises to contribute are made. Pledges receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Foundation provides an allowance for uncollectible pledges based on management's assessment of the collectability of specific pledges.

### **Rental Property**

Rental property is stated at cost. Depreciation of buildings and improvements is calculated using the straight-line method over its estimated useful life of 32 to 40 years.

The cost of additions or improvements which substantially extend the useful life of the buildings are capitalized. Repair and maintenance costs are charged to expense. Upon sale or other disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized.

### **Trust Liability**

Trust liability represents an interest in a charitable gift annuity which requires that payments be made to the donors until deceased, at which time the remaining principal and income will become available for use by the Foundation. On an annual basis, the Foundation reviews the need to revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 8% and applicable mortality tables.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

### **Contributions and Donor-Imposed Restrictions**

Contributions, including unconditional promises to give, are recorded when made. Conditional promises to give are recognized when the conditions on which they depend are subsequently met. Unconditional promises to give due beyond one year are reported at the present value of their net realizable value, using risk-free rates applicable to the years in which the promises are to be received.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. If a temporary restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

### **In-Kind Contributions**

Contributions of donated assets and services are recorded at their estimated fair market value at the date of receipt and are reflected as contributions in the accompanying statement of activities (see Note 6). Contributions of services are recognized only if such services create or enhance nonfinancial assets, would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills and would otherwise be purchased by the Foundation.

### **Rental Revenue and Deferred Revenue**

Rent revenue is recognized on the straight-line basis over the terms of the respective leases. Rental payments received in advance are recorded as deferred revenue. Deferred revenue also includes sponsorships received for events that will take place in subsequent fiscal years.

### **Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Salaries and related payroll expenses are allocated among functional categories based on the estimated

# Valencia College Foundation, Inc.

## Notes to Financial Statements

proportion of time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

### **Income Taxes**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an other-than-private foundation within the meaning of Section 509(a) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Therefore, no provision for income taxes has been included in the accompanying financial statements.

The Foundation identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Foundation has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Foundation's open tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

### **Fair Value of Financial Instruments**

The Foundation reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets. In accordance with authoritative guidance, the fair value of Multi-Strategy Fund-of-Funds no longer subject to lockup and which permit capital withdrawals quarterly or more frequently are generally classified as Level 2 assets by the Fund.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

- Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value. Generally, Multi-Strategy Fund-of-Funds that have unexpired lockup periods or permit capital withdrawals less frequently than quarterly are classified as Level 3 assets by the Fund.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash, pledges due in one year or less, accounts payable and accrued expenses.

The Foundation’s Level 1 financial instruments consist of investments as identified in Note 2 and are valued based on quoted market prices.

The Foundation’s Level 2 financial instruments consist of the following:

- Florida Prepaid Tuition Scholarships of \$2,302,911 and \$1,747,155 as of March 31, 2013 and 2012, respectively, which are valued using the actuarial present value of the future contract benefits and expenses obligation. This valuation method reflects the present value of estimated contract benefits and expenses that will be paid in future years and is adjusted for the effects of projected tuition and fees and dormitory housing fees increases and termination of contracts.
- Trust liability of \$59,185 at each of the years ended March 31, 2013 and 2012, which is valued using the present value of estimated future payments and mortality tables.

The following Level 2 financial instrument was reclassified from Level 3 during the current year:

- Multi-strategy Fund-of-Funds of \$8,030,290 (Level 2) and \$7,466,514 (Level 3) at March 31, 2013 and 2012, respectively, that is valued at its net asset value as provided by the portfolio managers and may be redeemed on a quarterly basis with 65 days notice. In fiscal year 2012, the balance in this fund was subject to a one-year soft lock-up period and therefore described as a Level 3 financial instrument.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

The fund seeks to achieve long-term capital appreciation over a several year period with lower volatility than, and low correlation to, broad equity and fixed income indices.

### Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, gains, other and expenses during the reporting period. Actual results could differ from those estimates.

### Concentrations of Credit Risk

Financial instruments which potentially expose the Foundation to concentrations of credit risk include cash balances in excess of federally insured deposit balances and investments.

The Foundation places its cash and cash equivalents with high quality financial institutions and has not experienced any losses on such accounts. At March 31, 2013, insurance coverage amounted to \$250,000 per depositor at each financial institution.

The Foundation also has significant investments that are subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation and the investments are monitored for the Foundation by these same managers. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the investment policy is prudent for the long-term welfare of the Foundation.

### Reclassifications

Certain amounts in the 2012 statement of activities have been reclassified to conform to the 2013 presentation. Such reclassifications had no effect on the change in net assets for the year ended March 31, 2012.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

### 2. Investments

The fair value of investments consists of the following:

<i>March 31,</i>	2013	2012
<b>Level 1 Investments:</b>		
Fixed income mutual funds	\$ 17,790,353	\$ 16,903,274
Equity mutual funds	21,872,804	20,952,253
International mutual funds	9,203,973	8,403,748
<b>Total Level 1</b>	<b>48,867,130</b>	<b>46,259,275</b>
<b>Level 2 Investment:</b>		
Multi-strategy fund-of-funds	8,030,290	-
<b>Level 3 Investment:</b>		
Multi-strategy fund-of-funds	-	7,466,514
	<b>\$ 56,897,420</b>	<b>\$ 53,725,789</b>

Fiduciary fees related to the investments for the years ended March 31, 2013 and 2012 were \$5,406 and \$5,289, respectively, as reflected in the statements of functional expenses. During the years ended March 31, 2013 and 2012, the Foundation received refunds of \$87,449 and \$115,024, respectively, for fiduciary fees that were overcharged in prior years which is included in other revenue, net on the statements of activities.

Activity for Level 3 investments is summarized as follows:

	<i>Multi-Strategy Fund-of-Funds</i>
Fair value, March 31, 2011	\$ -
Purchase of investments	7,556,783
Net realized/unrealized gain on investments	(90,269)
Fair value, March 31, 2012	7,466,514
Net realized/unrealized gain on investments	563,776
Transfer out of Level 3*	(8,030,290)
Fair value, March 31, 2013	\$ -

\*As of March 31, 2013, the Foundation had held the Multi-Strategy fund-of-funds investment for over a year and, therefore, was no longer subject to the one year soft lock-up period, which resulted in a transfer out of Level 3 to Level 2.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

### 3. Pledges Receivable

Pledges receivable consist of unconditional promises to give and are due as follows:

<i>March 31,</i>	<b>2013</b>	<b>2012</b>
Less than one year	\$ 464,500	\$ 806,500
One to five years	650,000	800,000
	<b>1,114,500</b>	1,606,500
Less unamortized discount (.2% – 3.2%)	(44,962)	(59,644)
Less allowance for doubtful accounts	(53,500)	(53,500)
Net pledges receivable	\$ 1,016,038	\$ 1,493,356

Substantially all of the Foundation's pledges receivable are due from donors in Central Florida.

### 4. Florida Prepaid Tuition Scholarships

Florida prepaid tuition scholarships consist of scholarships purchased by the Foundation as part of the Take Stock in Children program. The funds are to be used for college scholarships for selected individuals graduating from high school in Orange County. As the scholarships are awarded, they are recorded as program expense on the statement of activities. The prepaid scholarships are adjusted annually to the current value of the scholarships as provided by the Florida Prepaid College Foundation, Inc. Amounts used to purchase scholarships which go unused are refundable to the Foundation. During the year ended March 31, 2012, the Foundation experienced an unrealized loss on Florida prepaid tuition scholarships of \$198,018 and experienced an unrealized gain, during the year ended March 31, 2013, of \$105,773, which was recorded on the accompanying statements of activities.



# Valencia College Foundation, Inc.

## Notes to Financial Statements

### 5. Rental Property

Rental property consists of the following:

<i>March 31,</i>	<b>2013</b>	<b>2012</b>
<b>Rental property:</b>		
Land, Osceola property	\$ 2,603,062	\$ 2,603,062
Land, downtown center	185,184	185,184
Building and improvements, downtown center	1,639,172	1,639,172
Building and improvements, Park Center	3,232,663	—
<b>Total rental property</b>	<b>7,660,081</b>	<b>4,427,418</b>
Less accumulated depreciation	<b>(1,386,431)</b>	<b>(1,295,935)</b>
<b>Rental property, net</b>	<b>\$ 6,273,650</b>	<b>\$ 3,131,483</b>

### 6. Related Party Transactions

#### Lease Agreements

The Foundation leases its rental property, as described in Note 5, to Valencia under two leases that expire on November 18, 2072 and June 30, 2030. The rent specified in these leases may increase by an amount that is mutually determined and agreed upon by the Foundation and Valencia. The Foundation has received rents and reimbursement for certain operating expenses from Valencia related to these leases. These receipts were \$382,480 and \$647,920 for the years ended March 31, 2013 and March 31, 2012, respectively, and are reflected as rental revenue on the accompanying statements of activities.

#### Accounts Payable and Accrued Expenses

Included in accounts payable and accrued expenses are amounts owed to Valencia for reimbursement of certain operating expenses as follows:

<i>March 31,</i>	<b>2013</b>	<b>2012</b>
Salaries and benefits	\$ 22,644	\$ 44,239
Academic support	147,129	334,158
	<b>\$ 169,773</b>	<b>\$ 378,397</b>

# Valencia College Foundation, Inc.

## Notes to Financial Statements

Total expenses paid to Valencia for academic support for the years ended March 31, 2013 and 2012 amounted to \$1,879,685 and \$1,461,804, respectively, and are included in scholarships and academic programs on the statements of functional expenses.

### Due from Valencia

Included in other assets are scholarship refunds and credit card donations of \$7,519 and \$10,315 processed by Valencia and due to the Foundation at March 31, 2013 and 2012, respectively. The Foundation typically receives the funds within thirty days.

### Contributed Services

Contributed services from Valencia are recognized as contributions and management and general expenses in the statements of activities at their estimated fair values. In-kind contributions and expenses were comprised of the following:

<i>Year ended March 31,</i>	<b>2013</b>	<b>2012</b>
Salary support	<b>\$686,816</b>	\$370,518
Various general and administrative expenses	<b>23,505</b>	59,302
	<b>\$710,321</b>	\$429,820

## 7. Retirement Plan

Effective January 1, 2007, all employees of the Foundation were classified as employees of Valencia. Most employees working in regularly established positions of Valencia are covered by the Florida Retirement System ("FRS"). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (the "Plan"). FRS provisions are established by Chapters 121 and 122, Florida Statutes, Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal

# Valencia College Foundation, Inc.

## Notes to Financial Statements

retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (“DROP”) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2012-2013 fiscal year were as follows:

<i>Class or Plan</i>	<i>Percent of Gross Salary</i>	
	<i>Employee</i>	<i>Employer (A)</i>
Florida Retirement System, Regular	3.00%	5.18%
Florida Retirement System, Senior Management Services	3.00	6.30
Deferred Retirement Option Program – applicable to members from all of the above classes or plan	0.00	5.44
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:

- (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon retirement class or plan in which reemployed.

Contribution rates during the 2011-2012 fiscal year were as follows:

<i>Class or Plan</i>	<i>Percent of Gross Salary</i>	
	<i>Employee</i>	<i>Employer (A)</i>
Florida Retirement System, Regular	3.00%	4.91%
Florida Retirement System, Senior Management Services	3.00	6.27
Deferred Retirement Option Program – applicable to members from all of the above classes or plan	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:

- (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon retirement class or plan in which reemployed.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

The Foundation's liability for participation is limited to its payments, reimbursed to Valencia, of the required contribution at the rates and frequencies established by law on future payrolls of Valencia. The Foundation's contributions for the years ended March 31, 2013 and 2012 totaled \$35,771 and \$41,049, respectively, which were equal to the required contributions for the fiscal year and are included in salaries and benefits on the accompanying statements of functional expenses.

### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>March 31,</i>	<b>2013</b>	<b>2012</b>
Scholarships	\$ 14,904,581	\$ 13,283,943
Academic program support	11,244,402	9,833,075
Teaching chairs	2,201,115	1,918,393
<b>Total</b>	<b>\$ 28,350,098</b>	<b>\$ 25,035,411</b>

Temporarily restricted net assets released from restrictions to support programs are as follows:

<i>Year ended March 31,</i>	<b>2013</b>	<b>2012</b>
Scholarships	\$ 1,770,244	\$ 1,671,949
Academic program support	548,021	160,096
Capital projects – Osceola campus	–	5,000,000
Teaching chairs	92,056	127,873
<b>Total</b>	<b>\$ 2,410,321</b>	<b>\$ 6,959,918</b>

The Foundation has implemented an administrative fee for the management and stewardship of the investment pool. The fee is calculated on a quarterly basis as a percentage of the value of the investment pool. For the years ended March 31, 2013 and 2012, this fee was 1.5% and 0.5%, respectively. Total administrative fees released from restriction were \$825,682 and \$274,127 for the years ended March 31, 2013 and 2012, respectively, and are included in net assets released from restrictions for administrative support.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

### 9. Permanent and Board-Designated Endowment Funds

The Foundation has donor restricted endowment funds that are restricted to investment in perpetuity and are recorded as permanently restricted net assets. The returns on the donor restricted endowment funds have been included in temporarily restricted investment income on the statement of activities since they are restricted by the donor for scholarships and academic program support. The general spending guideline is to support an annual payout of at least four percent from those accounts that have attained their minimum and expected level of donor contributions along with all applicable state, federal and any other matching monies due. Carry-over of unspent distributions and special payments in excess of the annual spending policy are allowable expenditures only with the special approval of the board of directors.

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of the gift donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation;
- (7) The investment policies of the Foundation.

# Valencia College Foundation, Inc.

## Notes to Financial Statements

### 9. Permanent and Board-Designated Endowment Funds (Continued)

The Foundation has a board designated endowment fund recorded as unrestricted net assets which was designated by the Board in 2007 for the Title III East Campus Fund for which the earnings are designated for academic support and teaching chairs at Valencia's East Campus.

The endowment funds are invested in accordance with the investment policies of the Foundation in order to preserve and enhance the real purchasing (i.e., inflation-adjusted) power of the pooled investment fund while providing a relatively predictable, stable and constant, stream of earnings. The Foundation's performance objective is to grow the market value of assets net of inflation, administrative and investment expenses, over a full market cycle (generally defined as a five to seven year period) without undue exposure to risk. In quantitative terms, the objective is to earn a total return over inflation without exceeding a standard deviation of 1.2 times a weighted benchmark index. The benchmark index for the Foundation will be comprised of each asset class index weighted by its target allocation. It is also expected that the portfolio will outperform on a nominal or risk-adjusted basis this weighted benchmark index over a full market cycle.

The Foundation's endowment net assets consist of following

<i>March 31, 2013</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor restricted endowment funds	\$ -	\$28,350,098	\$32,081,932	\$60,432,030
Board designated endowment fund	622,377	-	-	622,377
	<b>\$622,377</b>	<b>\$28,350,098</b>	<b>\$32,081,932</b>	<b>\$61,054,407</b>

  

<i>March 31, 2012</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor restricted endowment funds	\$ -	\$25,035,411	\$31,723,711	\$56,759,122
Board designated endowment fund	573,983	-	-	573,983
	<b>\$573,983</b>	<b>\$25,035,411</b>	<b>\$31,723,711</b>	<b>\$57,333,105</b>

# Valencia College Foundation, Inc.

## Notes to Financial Statements

### 9. Permanent and Board-Designated Endowment Funds (Continued)

Changes in the endowment net assets for the years ended March 31, 2013 and 2012 are as follows:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets at March 31, 2011	\$552,695	\$28,022,313	\$31,306,292	\$59,881,300
Contributions, support, other revenue and transfers	–	2,411,260	417,419	2,828,679
Net realized and unrealized gains	24,405	318,148	–	342,553
Interest and dividends	–	1,243,608	–	1,243,608
Net assets released from restriction	–	(6,959,918)	–	(6,959,918)
Distributions	(3,117)	–	–	(3,117)
Endowment net assets at March 31, 2012	<b>573,983</b>	<b>25,035,411</b>	<b>31,723,711</b>	<b>57,333,105</b>
Contributions, support, other revenue and transfers	–	666,413	358,221	1,024,634
Net realized and unrealized gains	57,568	3,226,435	–	3,284,003
Interest and dividends	–	1,832,160	–	1,832,160
Net assets released from restriction	–	(2,410,321)	–	(2,410,321)
Distributions	(9,174)	–	–	(9,174)
Endowment net assets at March 31, 2013	<b>\$622,377</b>	<b>\$28,350,098</b>	<b>\$32,081,932</b>	<b>\$61,054,407</b>

# Valencia College Foundation, Inc.

## Notes to Financial Statements

### 10. Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to March 31, 2013 as of July 29, 2013, which is the date the financial statements were available to be issued. Subsequent events occurring after July 29, 2013 have not been evaluated by management. No material events have occurred since March 31, 2013 that require recognition or disclosure in the financial statements, except as follows:

On July 16, 2013, the Foundation's board of directors' approved the sale of the downtown center land and building (see Note 5) for \$4.75 million. On July 17, 2013, the Foundation and potential buyer executed a contract for the sale of the downtown center property. The closing shall occur on or before August 31, 2014.

Also on July 16, 2013, the board approved to enter into a lease agreement with Valencia to occupy space in the Park Center building. The term of the lease is for sixty years, commencing on June 1, 2013, with the option to extend the term of the lease for ten years. Lease payments of \$459,527 are expected to commence on May 1, 2014.





**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
Valencia 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 Valencia College Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of March 31, 2013, and the related statements 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 July 29, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Valencia 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Valencia College Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cross, Fernandez & Riley, LLP*

Certified Public Accountants

July 29, 2013

CERTIFICATION OF PRIVATE CONTRIBUTIONS FOR FIRST GENERATION MATCHING GRANT PROGRAM

Valencia College Foundation, Inc.  
CONTRIBUTIONS RECEIVED ON OR BEFORE DECEMBER 1, 2012

As required by the First Generation Matching Grant Program Guidelines, the following are the amounts of private contributions requested to be matched by state dollars. These private contributions, which are to provide scholarships for (a) an individual both of whose parents did not complete a baccalaureate degree; or (b) in the case of any individual who regularly resided with and received support from only one parent, an individual whose only such parent did not complete a baccalaureate degree. These funds were received on or before December 1, 2012 and have not been matched from previous state appropriations.

USE	FIRST GENERATION MATCHING GRANT (FGMG) TOTAL PRIVATE CONTRIBUTIONS RECEIVED BY DECEMBER 1, 2012
FGMG Scholarship Matching (100%)	\$124,082

Chapter 1011.85(4)(c), Florida Statutes, states: "The audit of each foundation receiving state funds from this program must include a certification of accuracy in the amount reported for matching funds."

Auditor Certification of Accuracy

This is to certify that the contributions reported in the certification of private contributions described above are accurate according to college records. The contributions reported were aligned with the mission of the college and certified by the college board of trustees. The funds were received by December 1, 2012 and have not been matched from previous state appropriations.

*Cross, Fernandez & Riley, LLP*

\_\_\_\_\_  
Signature of Foundation Auditor

July 29, 2013

\_\_\_\_\_  
Date

Cross, Fernandez & Riley, LLP

\_\_\_\_\_  
Please print name