



Valencia College Foundation, Inc.

Financial Statements and Supplementary Information Years Ended March 31, 2021 and 2020

Valencia College Foundation, Inc.

Financial Statements and Supplementary Information
Years Ended March 31, 2021 and 2020

Valencia College Foundation, Inc.

Contents

Independent Auditor’s Report	3-5
Overview and Analysis of the Foundation’s Finances	6-11
Financial Statements	
Statements of Financial Position as of March 31, 2021 and 2020	13
Statements of Activities for the Years Ended March 31, 2021 and 2020	14-15
Statements of Functional Expenses for the Years Ended March 31, 2021 and 2020	16-17
Statements of Cash Flows for the Years Ended March 31, 2021 and 2020	18
Notes to Financial Statements	19-33
Supplementary Information	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36
Certification of Private Contributions for First Generation Matching Grant Program	37



Independent Auditor's Report

The Board of Directors
Valencia College Foundation, Inc.
P.O. Box 3028
Orlando, FL 32802-3028

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of March 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary 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 6 through 11 and the Certification of Private Contributions for First Generation Matching Grant Program on page 37 are presented for purposes of additional analysis and are 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 to 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 to 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the Foundation's internal control over financial reporting and compliance.

BDO USA, LLP

Certified Public Accountants
August 11, 2021

Valencia College Foundation, Inc.

Overview and Analysis of the Foundation's Finances

The leadership of Valencia College Foundation, Inc. (the Foundation) offers readers of the Foundation's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2021. Readers are encouraged 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 (U.S. 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 BDO USA, LLP, an independent 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, 2021 are free from material misstatement. The independent audit involved: a test-basis examination of evidence supporting the amounts and disclosures in the financial statements; evaluating the appropriateness of the accounting policies used; the reasonableness of significant 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 position as of March 31, 2021 and changes in its net assets and cash flows for the year then ended is fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Financial Highlights

On March 31, 2021, the assets of the Foundation exceeded its liabilities by \$107,027,331 (net assets). Of this amount:

- \$16,257,349 (net assets without donor restrictions) may be used to provide academic, community, and college program support, as well as general and administrative support.
- \$51,280,673 (net assets with donor restrictions) represents funds that have been limited by donors with time restrictions or for special purposes.
- \$39,489,309 (endowment funds restricted in perpetuity) is the non-expendable portion of funds that are invested in perpetuity.

The Foundation's net assets increased 24% or approximately \$20.5 million to a fiscal year-end balance of \$107,027,331. This increase is predominantly attributable to market growth resulting in unrealized gains in the investment pool and an increase in Florida prepaid tuition scholarships.

100% 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

Valencia College Foundation, Inc.

Overview and Analysis of the Foundation's Finances

from revenue generated by a lease on Foundation-owned property, in-kind contributions, and other operating support from Valencia College, and 1.5% annualized and drawn quarterly from the endowment's fair market value; 68% of the budget comes from endowment performance and lease revenue. The balance of the operating budget is in-kind contributions and salary support from Valencia College.

Overview of Financial Statements

One important concern of donors is to determine whether the 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 is 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 impact cash flows in future periods, if at all (unrealized gains and losses on investments, for example).
- 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.

Condensed Statements of Financial Position

<i>March 31,</i>	2021	2020	Change
Cash and cash equivalents	\$ 3,148,412	\$ 2,018,500	\$ 1,129,912
Investments	89,286,309	69,517,388	19,768,921
Pledges receivable, net	983,559	1,800,829	(817,270)
Florida prepaid tuition scholarships	5,925,378	5,374,737	550,641
Rental property, net	8,144,969	8,298,330	(153,361)
Other assets	141,828	155,163	(13,335)
Total Assets	107,630,455	87,164,947	20,465,508
Liabilities	(603,124)	(596,991)	(6,133)
Net Assets	\$ 107,027,331	\$ 86,567,956	\$ 20,459,375

Valencia College Foundation, Inc.

Overview and Analysis of the Foundation's Finances

Net Assets

The Foundation ended the 2020-2021 fiscal year with net assets of \$107 million, a 24% increase from the prior fiscal year-end balance of \$86.6 million. Substantial market growth resulting in unrealized gains in the investment pool combined with an increase in Florida prepaid tuition scholarships led to the increased value.

As of March 31, 2021, investment holdings account for 83% 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 total \$89.3 million. That represents an increase of 28% from the previous fiscal year-end value of \$69.5 million. The upturn in investment value is for the most part due to the positive overall market performance during the year. Significant volatility occurred at the end of fiscal year 2019-2020 due to the uncertainty caused by the global pandemic. The Foundation's finance committee meets quarterly to review the portfolio and ensure that a diverse asset allocation of domestic and international equities, fixed-income and alternative investments is maintained so the Foundation can provide for the short-term, as well as the long-term, needs of the college. During the pandemic, finance committee members met 16 times with investment advisers to ensure vigilant portfolio monitoring.

The net pledges receivable balance is reduced from the prior year-end balance largely due to the Foundation receiving final payments for multi-year pledges. No new pledges were booked for the 2020-2021 fiscal year.

Total liabilities of \$603,124 as of March 31, 2021 include accounts payable and accrued expenses, as well as deferred revenue and a charitable gift annuity. The increase in total liabilities of \$6,000 is mainly due to an increase in deferred revenue.

The Foundation maintains positive balances in all net asset categories. As of the 2021 fiscal year-end, 85% of the Foundation's net assets are donor-restricted, either temporarily or in perpetuity. The remaining balance of net assets is without donor restriction and may be used to meet the Foundation's ongoing obligations, as well as for potential grant-matching opportunities.

The remainder of this page intentionally left blank.

Valencia College Foundation, Inc.

Overview and Analysis of the Foundation's Finances

Condensed Statements of Activities

<i>March 31,</i>	2021	2020	Change
Revenue, Gains (Losses) and Support			
Contributions	\$ 2,190,780	\$ 2,500,865	\$ (310,085)
Florida prepaid matching contribution	99,008	189,769	(90,761)
State support	272,103	259,767	12,336
Rent	456,462	456,462	-
Interest and dividends	2,930,935	2,501,803	429,132
Net realized and unrealized gains (losses) on investments	21,801,626	(8,522,832)	30,324,458
Unrealized gain (loss) on Florida prepaid scholarships	506,636	(206,056)	712,692
Special event - Taste for Learning	-	315,592	(315,592)
Other income, net	12,580	44,285	(31,705)
Total Revenue, Gains (Losses) and Support	28,270,130	(2,460,345)	30,730,475
Expenses			
Program	6,473,184	7,981,293	(1,508,109)
Management and general*	599,961	871,558	(271,597)
Fundraising*	737,610	918,204	(180,594)
Total Expenses	7,810,755	9,771,055	(1,960,300)
Change in Net Assets	\$ 20,459,375	\$ (12,231,400)	\$ 32,690,775

* Management and general expenses, and fundraising expenses are paid from the Foundation's operating budget, which is derived from lease payments for Foundation-owned properties, in-kind contributions, and other operating support from Valencia College, and a 1.5% administrative fee of the investment pool. Not a single penny of any management and general and fundraising expenses comes from donor gifts.

Foundation Prepares for The Valencia Promise Campaign

Contributions for the year added up to \$2.2 million, \$310,085 less than the prior year, as the Foundation paused active fundraising during the first five months of the pandemic.

Investment pool activity, which includes income net of fees and net realized and unrealized losses, created a \$30.7 million increase in revenue. This is not surprising given the volatility in the financial markets in the last quarter of fiscal year 2019-2020. However, markets rallied and remained steady as of the date of this report; the pool has since recovered losses recorded in fiscal year 2020.

Special event revenue decreased between 2020 and 2021 as the Foundation did not host Taste for Learning because of COVID restrictions.

Valencia College Foundation, Inc.

Overview and Analysis of the Foundation's Finances

Foundation Disbursement for Valencia College Students and Programs

Program services made up 83% of total disbursements, and included scholarships, endowed faculty chairs and academic program support. Academic program funding was the largest area of program services with 56% or \$3.4 million of the total disbursed. College programs the Foundation supported during the year include:

- \$1.2 million for the Central Florida Education Ecosystem Database project led by Valencia College.
- \$965,000 to supplement CARES Act funding for ineligible students.
- \$750,000 for continued expansion of the School of Nursing.
- \$176,000 for the Horizon Scholars Program.

Student scholarship support totaled \$2.65 million or 41% of program service support. The Foundation awarded \$1.3 million to students from more than 390 endowed scholarship funds. Other scholarship opportunities provided by the Foundation include:

- \$468,200 for first generation in college students.
- \$180,000 in scholarships to assist students in the Accelerated Skills Training Programs.
- \$154,000 in scholarships for the Horizon Scholars Program graduates.

Overall, more than 4,300 students received financial support from the Foundation during the fiscal year.

Condensed Statements of Cash Flows

<i>Year ended March 31,</i>	2021	2020
Cash Flows		
Net cash used in operating activities	\$ (793,420)	\$ (3,242,428)
Net cash provided by (used in) investing activities	1,923,332	(277,299)
Net Increase (Decrease) in Cash and Cash Equivalents	1,129,912	(3,519,727)
Cash and Cash Equivalents, beginning of year	2,018,500	5,538,227
Cash and Cash Equivalents, end of year	\$ 3,148,412	\$ 2,018,500

The statements 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 liquid debt instruments with a maturity of three months or fewer. With \$3.1 million in cash and cash equivalents, the Foundation continues to maintain ample liquidity and flexibility.

Cash and cash equivalents increased intentionally to ensure the Foundation was able to meet its obligations to students and the college during market volatility. In addition, the Foundation received \$850,000 during the year for pledge payments. The majority of those funds were forwarded to Valencia College to be used for their intended purpose.

Valencia College Foundation, Inc.

Overview and Analysis of the Foundation's Finances

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.

Geraldine Gallagher, PhD, CFRE
Valencia College Foundation, Inc. President and CEO

Financial Statements

Valencia College Foundation, Inc.

Statements of Financial Position

March 31,	2021	2020
Assets		
Cash and cash equivalents	\$ 3,148,412	\$ 2,018,500
Investments	89,286,309	69,517,388
Pledges receivable, net	983,559	1,800,829
Florida prepaid tuition scholarships	5,925,378	5,374,737
Rental property, net	8,144,969	8,298,330
Other assets	141,828	155,163
Total Assets	\$ 107,630,455	\$ 87,164,947
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 406,441	\$ 425,462
Deferred revenue	142,308	114,115
Trust liability	54,375	57,414
Total Liabilities	603,124	596,991
Net Assets		
Without donor restrictions	16,257,349	15,803,674
With donor restrictions	90,769,982	70,764,282
Total Net Assets	107,027,331	86,567,956
Total Liabilities and Net Assets	\$ 107,630,455	\$ 87,164,947

See accompanying notes to financial statements.

Valencia College Foundation, Inc.

Statement of Activities

Year ended March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Contributions	\$ 735,757	\$ 1,455,023	\$ 2,190,780
Florida prepaid matching contribution	99,008	-	99,008
State support	-	272,103	272,103
Rent	456,462	-	456,462
Interest and dividends, net of investment fees	(268,653)	3,199,588	2,930,935
Net realized and unrealized gains on investments	434,160	21,367,466	21,801,626
Unrealized gain on Florida prepaid tuition scholarships	506,636	-	506,636
Other income (losses), net	(19,761)	32,341	12,580
Net assets released from restrictions:			
Program support	5,065,886	(5,065,886)	-
Administrative support	1,254,935	(1,254,935)	-
Total Revenues, Gains, and Support	8,264,430	20,005,700	28,270,130
Expenses			
Program	6,473,184	-	6,473,184
Management and general	599,961	-	599,961
Fundraising	737,610	-	737,610
Total Expenses	7,810,755	-	7,810,755
Change in Net Assets	453,675	20,005,700	20,459,375
Net Assets, beginning of year	15,803,674	70,764,282	86,567,956
Net Assets, end of year	\$ 16,257,349	\$ 90,769,982	\$ 107,027,331

See accompanying notes to financial statements.

Valencia College Foundation, Inc.

Statement of Activities

Year ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses), and Support			
Contributions	\$ 736,498	\$ 1,764,367	\$ 2,500,865
Florida prepaid matching contribution	189,769	-	189,769
State support	-	259,767	259,767
Rent	456,462	-	456,462
Interest and dividends, net of investment fees	(244,900)	2,746,703	2,501,803
Net realized and unrealized losses on investments	(171,189)	(8,351,643)	(8,522,832)
Unrealized loss on Florida prepaid tuition scholarships	(206,056)	-	(206,056)
Special event revenue	-	315,592	315,592
Other income (losses), net	(4,020)	48,305	44,285
Net assets released from restrictions:			
Program support	7,449,356	(7,449,356)	-
Administrative support	1,143,193	(1,143,193)	-
Total Revenues, Gains (Losses) and Support	9,349,113	(11,809,458)	(2,460,345)
Expenses			
Program	7,981,293	-	7,981,293
Management and general	871,558	-	871,558
Fundraising	918,204	-	918,204
Total Expenses	9,771,055	-	9,771,055
Change in Net Assets	(421,942)	(11,809,458)	(12,231,400)
Net Assets, beginning of year	16,225,616	82,573,740	98,799,356
Net Assets, end of year	\$ 15,803,674	\$ 70,764,282	\$ 86,567,956

See accompanying notes to financial statements.

Valencia College Foundation, Inc.

Statement of Functional Expenses

Year ended March 31, 2021

	Program	Management and General	Fundraising	Total
Academic program support	\$ 3,402,064	\$ -	\$ -	\$ 3,402,064
Scholarships	2,648,587	-	-	2,648,587
Salaries and benefits	188,200	365,329	553,529	1,107,058
College and community relations	180,492	-	-	180,492
Depreciation	27,324	53,041	80,364	160,729
Donor recognition and correspondence	-	-	99,632	99,632
Board functions and development	-	54,954	-	54,954
Professional services and contract labor	-	49,277	-	49,277
Community relations	-	31,076	-	31,076
Teaching chairs	25,128	-	-	25,128
Other operating expenses	-	18,182	-	18,182
Supplies and materials	-	18,782	-	18,782
Property taxes and insurance	1,389	2,696	4,085	8,170
Equipment	-	6,595	-	6,595
Travel	-	29	-	29
	\$ 6,473,184	\$ 599,961	\$ 737,610	\$ 7,810,755

See accompanying notes to financial statements.

Valencia College Foundation, Inc.

Statement of Functional Expenses

Year ended March 31, 2020

	Program	Management and General	Fundraising	Total
Academic program support	\$ 4,710,800	\$ -	\$ -	\$ 4,710,800
Scholarships	2,571,747	-	-	2,571,747
Salaries and benefits	243,390	486,779	621,996	1,352,165
College and community relations	294,441	-	-	294,441
Depreciation	28,727	57,455	73,415	159,597
Board functions and development	-	133,934	-	133,934
Teaching chairs	130,775	-	-	130,775
Donor recognition and correspondence	-	-	71,414	71,414
Professional services and contract labor	-	71,225	-	71,225
Community relations	-	38,253	-	38,253
Other operating expenses	-	41,340	-	41,340
Travel	-	7,838	-	7,838
Supplies and materials	-	24,905	-	24,905
Property taxes and insurance	1,413	2,827	3,612	7,852
Equipment	-	6,997	-	6,997
Advertising and marketing	-	5	-	5
Special event-TFL donated goods and services	-	-	147,767	147,767
	\$ 7,981,293	\$ 871,558	\$ 918,204	\$ 9,771,055

See accompanying notes to financial statements.

Valencia College Foundation, Inc.

Statements of Cash Flows

<i>Year ended March 31,</i>	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 20,459,375	\$ (12,231,400)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	160,729	159,597
Decrease in value of trust liability	(3,039)	(18,780)
Net realized and unrealized losses (gains) on investments	(21,801,626)	8,522,832
Non-cash contributions for Florida prepaid tuition scholarships	(99,008)	(189,769)
Unrealized loss (gain) on Florida prepaid tuition scholarships	(506,636)	206,056
Florida prepaid scholarships awarded	154,011	271,574
Changes in:		
Pledges receivable	817,270	2,046,059
Other assets	16,332	31,200
Accounts payable and accrued expenses	(19,021)	(1,873,171)
Deferred revenue	28,193	(166,626)
Net Cash Used in Operating Activities	(793,420)	(3,242,428)
Cash Flows from Investing Activities		
Purchase of investments	(16,939,213)	(3,730,537)
Proceeds from sale of investments	18,971,918	3,643,007
Purchase of Florida prepaid tuition scholarships	(99,008)	(189,769)
Purchase of property and equipment	(10,365)	-
Net Cash Provided by (Used in) Investing Activities	1,923,332	(277,299)
Net Increase (Decrease) in Cash and Cash Equivalents	1,129,912	(3,519,727)
Cash and Cash Equivalents, beginning of year	2,018,500	5,538,227
Cash and Cash Equivalents, end of year	\$ 3,148,412	\$ 2,018,500

See accompanying 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 Presentation

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 (U.S. GAAP). Assets are presented in the accompanying statements 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue, gains, and other expenses during the reporting period. Actual results could differ from those estimates.

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. Investment expenses are netted against interest and dividends without donor restrictions in the accompanying statements of activities.

Pledges Receivable

Pledges receivable are unconditional promises to give and are recorded when the promises to contribute are made. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are made. Amortization of discounts is included in contribution

Valencia College Foundation, Inc.

Notes to Financial Statements

revenue. The Foundation provides an allowance for uncollectible pledges based on the historical ratio of write-offs.

Rental Property

Rental property includes land, buildings, and improvements, and is stated at cost when purchased. Depreciation of buildings and improvements is calculated using the straight-line method over its estimated useful life of 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 beneficiary based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 8% and applicable mortality tables.

Contributions and Donor-Imposed Restrictions

The Foundation recognizes contributions and state support revenue when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give—that is those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been 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. The Foundation did not have any conditional promises to give as of March 31, 2021 and 2020.

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 donor-restricted support that increases the net asset class.

When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished—net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

Special event revenues are considered contributions with the exception of the exchange portion (if any), which is recognized as revenue when the event takes place.

Valencia College Foundation, Inc.

Notes to Financial Statements

In-Kind Contributions

Contributions of donated assets and services are recorded at their estimated fair value at the date of receipt and are reflected as contributions in the accompanying statements 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, and require specialized skills provided by individuals possessing such specialized skills.

Rent 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 the exchange portion of special event revenue that is received for special events that will take place in subsequent fiscal years.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions represents funds that are available without restriction for carrying out the Foundation's objectives.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Amounts received that are to be maintained by the Foundation in perpetuity are reported as contributions with donor restrictions.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. Depreciation, payroll taxes, and property taxes and insurance are allocated based upon the ratio of employees per function.

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.

Valencia College Foundation, Inc.

Notes to 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 statements 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 is based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuation is based on observable quoted prices for similar assets and liabilities in active markets.

Level 3 - Valuation is 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.

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 and cash equivalents, pledges due in one year or less, and accounts payable and accrued expenses. Contributions due beyond one year are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the pledge was made with an equivalent term approximately equal to the number of years over which the pledge will be paid (see Note 3), which approximates fair value. 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 3 financial instruments consist of the following:

- Florida Prepaid Tuition Scholarships of \$5,925,378 and \$5,374,737 as of March 31, 2021 and 2020, 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.

Valencia College Foundation, Inc.

Notes to Financial Statements

Trust liability of \$54,375 and \$57,414 as of March 31, 2021 and 2020, respectively, which are valued using the present value of estimated future payments using a discount rate and mortality tables.

The Foundation has no Level 2 financial instruments.

Changes in Fair Value Levels

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. The Foundation's management evaluates the significance of transfers between levels based upon the nature of the investment. For the year ended March 31, 2021, there were no material transfers in or out of Level 3.

Level 3 Activity

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), a reconciliation is required of the beginning and ending balances, separately, for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Foundation's assets measured at fair value on a recurring basis using significant unobservable inputs.

	Florida Prepaid Scholarship	Trust Liability
Balance, April 1, 2020	\$ 5,374,737	\$ 57,414
Purchases (Including State of Florida match)	198,016	-
Unrealized gain	506,636	-
Disbursements	(154,011)	(3,039)
Balance, March 31, 2021	\$ 5,925,378	\$ 54,375

Investments at Net Asset Value

The Foundation owns three investments that are valued using net asset value (NAV), which is not required to be evaluated using the Level 1 through 3 fair value hierarchy:

- *SEI Energy Debt Fund, LP* (the Fund) is a limited partnership that invests directly and indirectly in below investment grade bonds and loans (and other debt and equity instruments) of U.S. and international energy companies. The Fund is valued at NAV and has a three-year lock-up period from the date of subscription. After the lock-up period, redemptions of 50% are allowed semi-annually then 25% is allowed for each of the next two semi-annual periods. Redemptions require a 95-day notice period, subject to fund director consent and certain holdback restrictions. The lock-up restrictions expired in fiscal year 2021.
- *SEI Structured Credit Fund, LP* (the Structured Credit Fund) is a limited partnership registered as a closed-end, non-diversified management investment company. The Structured Credit Fund invests in limited partnership interests through private placement transactions to investors that have signed an investment management agreement with SEI Investments Management Corporation, the investment adviser to the Structured Credit Fund. The Structured Credit Fund is valued at NAV and has a two-year lock-up period from

Valencia College Foundation, Inc.

Notes to Financial Statements

the date of subscription. After the lock-up period, redemptions are made through a tender offer and require a 65-day notice, subject to certain holdback restrictions. The lock-up restrictions expired in fiscal year 2020.

- *SEI Core Property Fund, LP* (the Core Property Fund) is a limited partnership that invests directly and indirectly in a diversified pool of private investment vehicles that invest in commercial real estate properties. The Core Property Fund is valued at NAV and are subject to gate if withdrawal amounts exceed 25% of NAV. Redemptions require a 95-day notice, subject to certain holdback restrictions.

Accounting Pronouncements Issued but Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Foundation is currently evaluating the impact of this ASU on its financial statements.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The ASU changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU includes financial assets recorded at amortized cost basis such as pledges, trade and certain other receivables as well as certain off-balance sheet credit exposures such as loan commitments and financial guarantees. The ASU does not apply to financial assets measured at fair value, and loans and receivables between entities under common control. The ASU is effective for fiscal years beginning after December 15, 2022. Early adoption may be selected for fiscal years beginning after December 15, 2018. The Foundation must apply the amendments in the ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions. The Foundation is currently evaluating the impact of this ASU on its financial statements.

Valencia College Foundation, Inc.

Notes to Financial Statements

Contributed Nonfinancial Assets

In September 2020, the FASB ASU 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statements of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. The Foundation is currently evaluating the effect the update will have on its financial statements.

2. Investments

The fair value of investments consists of the following:

<i>March 31,</i>	2021	2020
Level 1 investments:		
Fixed-income mutual funds	\$ 21,281,985	\$ 20,028,851
Equity mutual funds	38,124,300	21,168,801
International mutual funds	19,571,852	19,024,101
Total	78,978,137	60,221,753
Investments at net asset value:		
SEI Energy Debt Fund, LP	2,694,043	2,227,875
SEI Structured Credit Fund, LP	4,616,165	2,560,542
SEI Structured Core Property, LP	2,997,964	4,507,218
Total	10,308,172	9,295,635
Total Investments	\$ 89,286,309	\$ 69,517,388

Fiduciary fees related to the investments for the years ended March 31, 2021 and 2020 were \$336,282 and \$361,420, respectively, and are netted against interest and dividend income without donor restrictions in the accompanying statements of activities.

3. Pledges Receivable, Net

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

<i>March 31,</i>	2021	2020
Less than one year	\$ 500,000	\$ 850,000
One to five years	500,000	1,000,000
	1,000,000	1,850,000
Less:		
Unamortized discount (3.4%)	(16,441)	(48,782)
Allowance for uncollectible pledges	-	(389)
Net Pledges Receivable	\$ 983,559	\$ 1,800,829

Valencia College Foundation, Inc.

Notes to Financial Statements

4. Florida Prepaid Tuition Scholarships

Florida prepaid tuition scholarships are part of the State of Florida Take Stock in Children program and consist of scholarships contributed to or purchased by the Foundation, and include scholarships matched by the State of Florida. 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 scholarships program expense on the accompanying statements of functional expenses and were \$154,011 and \$271,574 during the years ended March 31, 2021 and 2020, respectively. During the years ended March 31, 2021 and 2020, the State of Florida matched \$99,008 and \$189,769, respectively, in prepaid scholarships, which was recorded as Florida prepaid matching contribution on the accompanying statements 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 that go unused are refundable to the Foundation. During the year ended March 31, 2021, the Foundation experienced an unrealized gain on Florida prepaid tuition scholarships of \$506,636. During the year ended March 31, 2020, the Foundation experienced an unrealized loss on Florida prepaid tuition scholarships of \$206,056, which were recorded on the accompanying statements of activities.

Florida prepaid tuition scholarships consist of the following:

<i>March 31,</i>	2021	2020
Scholarships purchased or contributed	\$ 3,607,741	\$ 3,561,156
Funds held by Florida Prepaid College Foundation, Inc. for reinvestment	2,317,637	1,813,581
	\$ 5,925,378	\$ 5,374,737

5. Rental Property, Net

Rental property, net, consists of the following:

<i>March 31,</i>	2021	2020
Rental property:		
Land, Osceola property	\$ 2,603,062	\$ 2,603,062
Land, Park Center	481,002	481,002
Building and improvements, Park Center	6,134,430	6,134,430
Total Rental Property	9,218,494	9,218,494
Less: accumulated depreciation	(1,073,525)	(920,164)
Rental Property, Net	\$ 8,144,969	\$ 8,298,330

Depreciation expense related to rental property was \$153,361 for the years ended March 31, 2021 and 2020. Depreciation expense related to furniture and equipment was \$7,368 and \$6,236 for the years ended March 31, 2021 and 2020, respectively.

Valencia College Foundation, Inc.

Notes to Financial Statements

6. Related-Party Transactions

Lease Agreements

The Foundation leases its Park Center rental property (see Note 5) at arm's length to Valencia. The lease related to Park Center was effective May 1, 2014, with annual rent payments of \$456,462, subject to adjustment for additional improvements made to the property. The Park Center lease expires on June 1, 2073, with the option to extend the terms of the lease for ten years, and further provides Valencia with a right to purchase the property commencing on January 1, 2020 and expiring May 31, 2073. Valencia can terminate the lease upon 24 months' notice and payments under the lease are contingent upon Valencia receiving annual appropriation by the Florida State Legislature. Rent payments received from Valencia were \$456,462 for each of the years ended March 31, 2021 and 2020 and are included in rent 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>	2021	2020
Salaries and benefits	\$ 63,922	\$ 32,539
Academic support	274,583	328,264
	\$ 338,505	\$ 360,803

Total expenses paid to Valencia for scholarships, academic program support, and teaching chairs for the years ended March 31, 2021 and 2020 amounted to \$5,754,013 and \$7,013,769, respectively, and are included as program expenses in scholarships, academic program support, and teaching chairs on the accompanying statements of functional expenses.

Contributed Services

Contributed services from Valencia are recognized as contributions and related expenses in the accompanying statements of activities and functional expenses at their estimated fair values. Contributed services were comprised of the following expenses and included in the accompanying statements of functional expenses:

<i>Year ended March 31,</i>	2021	2020
Salaries and benefits	\$ 640,601	\$ 650,977
Various general and administrative expenses	1,098	2,739
	\$ 641,699	\$ 653,716

Valencia College Foundation, Inc.

Notes to Financial Statements

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). Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS. Benefits in the Plan vest at six 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 four 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 retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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, 2021 and 2020 totaled \$117,069 and \$121,345, 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. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for future periods or the following purposes, as follows:

<i>March 31,</i>	2021	2020
Scholarships	\$ 25,055,849	\$ 13,401,221
Academic program support	17,503,938	10,967,935
Teaching chairs	4,470,889	2,458,863
Future periods and other	4,249,997	4,779,735
Total Subject to Expenditure for Specified Purpose or Future Periods	51,280,673	31,607,754
Endowment funds restricted in perpetuity	39,489,309	39,156,528
Total	\$ 90,769,982	\$ 70,764,282

Net assets released from restrictions to support programs are as follows:

<i>Year ended March 31,</i>	2021	2020
Scholarships	\$ 2,598,581	\$ 2,499,742
Academic program support	2,442,177	4,818,840
Teaching chairs	25,128	130,774
Total	\$ 5,065,886	\$ 7,449,356

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, 2021 and 2020, this fee was 1.5%. Total administrative fees released from restriction were \$1,254,935 and \$1,143,193 for the years ended

Valencia College Foundation, Inc.

Notes to Financial Statements

March 31, 2021 and 2020, respectively, and are included in net assets released from restrictions for administrative support on the accompanying statements of activities.

Endowment Funds

The Foundation has donor-restricted endowment funds that are restricted to investment in perpetuity and are recorded as net assets with donor restrictions. The returns on the donor-restricted endowment funds have been included in the various components of investment income with donor restrictions on the accompanying statements of activities since they are restricted by the donor for scholarships, academic program support, and teaching chairs. The general spending guideline is to support an annual payout of at least 4% 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. Spending rate is based upon a seven-year rolling average of endowment market values. 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 net assets with donor restrictions: (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. Earnings on donor-restricted endowment funds are classified as net assets with donor restrictions 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:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

The Foundation has a board-designated endowment fund recorded as net assets without donor restrictions, 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

Valencia College Foundation, Inc.

Notes to Financial Statements

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:

March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 87,247,361	\$ 87,247,361
Board-designated endowment fund	1,457,660	-	1,457,660
	\$ 1,457,660	\$ 87,247,361	\$ 88,705,021

March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 65,026,888	\$ 65,026,888
Board-designated endowment fund	1,009,042	-	1,009,042
	\$ 1,009,042	\$ 65,026,888	\$ 66,035,930

Changes in the endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, March 31, 2019	\$ 1,156,097	\$ 73,031,993	\$ 74,188,090
Contributions	-	410,935	410,935
Net realized and unrealized losses	(171,189)	(8,351,643)	(8,522,832)
Interest and dividends, net	54,327	2,746,703	2,801,030
Earnings appropriated for expenditure	-	(2,811,100)	(2,811,100)
Distributions	(30,193)	-	(30,193)
Endowment Net Assets, March 31, 2020	1,009,042	65,026,888	66,035,930
Contributions	-	333,565	333,565
Net realized and unrealized gains	434,160	21,367,466	21,801,626
Interest and dividends, net	64,762	3,199,588	3,264,350
Earnings appropriated for expenditure	-	(2,680,146)	(2,680,146)
Distributions	(50,304)	-	(50,304)
Endowment Net Assets, March 31, 2021	\$ 1,457,660	\$ 87,247,361	\$ 88,705,021

Valencia College Foundation, Inc.

Notes to Financial Statements

9. Concentrations of Credit Risk

Financial instruments that 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, 2021, 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.

10. Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year for programs and operations were as follows:

<i>March 31,</i>	2021	2020
Cash and cash equivalents	\$ 3,148,412	\$ 2,018,500
Investments	89,286,309	69,517,388
Pledge receivable due within one year	500,000	850,000
Total Financial Assets Available Within One Year	92,934,721	72,385,888
Less:		
Investments in perpetuity by restricted endowment	(39,489,309)	(39,156,528)
Restricted for specified purpose or period	(51,280,673)	(31,607,754)
Board-designated endowment fund	(1,457,660)	(1,009,042)
Net Financial Assets and Liquidity Resources Available Within One Year	\$ 707,079	\$ 612,564

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

11. Cyber Event

In July 2020, the Foundation was notified by Blackbaud, Inc. (Blackbaud) that its two databases hosted by Blackbaud were part of a ransomware attack. Management conducted an investigation to identify impact, which included consultation with outside legal counsel and a forensic data firm. Upon completion of its investigation, the Foundation promptly notified the impacted individuals and state regulators as required. As of the date of this report, no significant financial impact is expected from this breach.

Valencia College Foundation, Inc.

Notes to Financial Statements

12. COVID-19 and CARES Act

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak), and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the wide spread of the virus across the U.S., Valencia College Foundation, Inc. directed all of its staff to work from home effective March 14, 2020, with limited access to the Foundation's office. A science-based and phased plan has been created for the possibility to transition to normal operations during fiscal year 2022. The Foundation's operations are heavily dependent on revenue generated by a lease on Foundation-owned property and an administrative fee on the investment pool. As of the date of this report, the Foundation continued to receive rent from the contractual lease. Additional operational support is provided by Valencia College. Contributions do not fund any part of the Foundation's operations. The pandemic represented a market risk factor and caused significant volatility in U.S. and international markets and, as a result, the Foundation experienced significant losses in its investment portfolio in the last quarter of fiscal year 2020. The investment values have rebounded and maintained through fiscal year 2021.

However, the outbreak's continued impact on economic and market conditions is unknown, triggering a period of national and regional economic slowdown. This situation is expected to depress donations from individuals, foundations and corporations during fiscal year 2022. As such, this may hinder the Foundation's ability to advance its mission. At this time, it is still difficult to predict the length and severity of the continued impact of the COVID-19 outbreak. As such, the Foundation's financial condition and liquidity may be adversely impacted for fiscal year 2022.

CARES Act

On March 27, 2020 the Coronavirus Aid, Relief and Economics Security Act (the CARES Act) was enacted. The CARES Act was enacted to address the economic fallout of the COVID-19 outbreak on the economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments and net operating loss carryback periods. It also appropriated funds for the Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. As of the date of this report, the Foundation has not received any relief funding from the CARES Act and has not applied for any of its provisions. Currently, the Foundation does not believe the CARES Act will have any substantial effect on its financial condition, results of operation, or liquidity.

On December 27, 2020, former President Trump signed the Consolidated Appropriations Act, 2021 (the Act), which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. The Foundation is currently evaluating the impact of the Act.

On March 11, 2021, President Biden signed the American Rescue Plan Act (ARPA), which includes \$1.9 trillion in funding for critical resources to respond to the public health and economic crisis as a result of the COVID-19 pandemic. The Foundation is currently evaluating the impact of the ARPA.

Valencia College Foundation, Inc.

Notes to Financial Statements

13. Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to March 31, 2021 as of August 11, 2021, which is the date the financial statements were available to be issued. Subsequent events occurring after August 11, 2021 have not been evaluated by management. No material events have occurred since March 31, 2021 that require recognition or disclosure in the financial statements.

Supplementary Information



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

The Board of Directors
Valencia College Foundation, Inc.
P.O. Box 3028
Orlando, FL 32802-3028

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, 2021, and the related statements 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 August 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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 the Foundation'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

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 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.

BDO USA, LLP

Certified Public Accountants
August 11, 2021

Valencia College Foundation, Inc.

Certification of Private Contributions for First Generation Matching Grant Program As of December 31, 2020

Contributions Received

As required by the First Generation Matching Grant (FGMG) Program Guidelines, the following are the amounts of private contributions requested to be matched by state dollars. These private contributions are to provide scholarships for (a) an individual 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 who did not complete a baccalaureate degree. These funds were received on or before December 1, 2020 and have not been matched from previous state appropriations.

The First Generation Matching Grant (FGMG) total private contributions received are as follows:

December 31, 2020

Use:

FGMG scholarship matching (100%)	\$ 136,052
----------------------------------	------------

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 August 11, 2020 and have not been matched from previous state appropriations.

Name: Melanie Fernandez

Title: Audit Partner

BDO USA, LLP

Date: August 11, 2021

Signature: BDO USA, LLP