

PENSACOLA STATE COLLEGE FOUNDATION, INC.

**A COMPONENT UNIT OF
PENSACOLA STATE COLLEGE**

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
Pensacola State College Foundation, Inc.
Pensacola, Florida

Opinion

We have audited the accompanying financial statements of Pensacola State College Foundation, Inc. ("the Foundation") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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 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 Foundation 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 for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

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 generally accepted 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, including omissions, 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 generally accepted 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Board of Governors
Pensacola State College Foundation, Inc.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Dr. Philip Benjamin Matching Grant Programs and Florida Community College Scholarship Programs Schedules of Revenues, Expenses, and Changes in Net Position, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023, 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.



Pensacola, Florida
June 5, 2023

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Governors
Pensacola State College Foundation, Inc.
Pensacola, Florida

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 Pensacola State College Foundation, Inc. (the "Foundation") (a component unit of Pensacola State College), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated June 5, 2023.

Report on 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 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.

Board of Governors
Pensacola State College Foundation, Inc.

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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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.



Pensacola, Florida
June 5, 2023

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
—MANAGEMENT’S DISCUSSION AND ANALYSIS—
DECEMBER 31, 2022 AND 2021
(UNAUDITED)

The following discussion and analysis of Pensacola State College Foundation, Inc.’s (the “Foundation”) financial statements provides an overview of the Foundation’s financial activities for the year ended December 31, 2022, with comparative information for the years ended December 31, 2021 and 2020. These financial statements have been prepared in conformity with the accounting principles and reporting guidelines established by the Government Accounting Standards Board (“GASB”) as this is the presentation used in the Pensacola State College (“College”) Annual Financial Report. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide information on the Foundation as a whole and present a long-term view of the Foundation’s finances. Foundation management has prepared the financial statements and related note disclosures along with the discussion and analysis. The responsibility for the completeness and fairness of this information rests with Foundation management.

The Foundation is a Florida not-for-profit corporation formed in 1965 to encourage, solicit, receive and administer gifts and bequests of property and funds for scientific, educational and charitable purposes, all for the advancement of the College and its objectives. The Foundation is a direct support organization of the College.

Financial Highlights

During the year ended December 31, 2022, the Foundation’s net position decreased 10%, due primarily to losses on investments in the stock market.

The Foundation's investments showed a return (net of fees) of 14.87% from January 1, 2022 to December 31, 2022. As of December 31, 2022, the Foundation's total return on investments (net of fees) was 6.56% since December 31, 2001. The account remains well-diversified and moderately invested, targeting a 60% equity and 40% fixed income mix.

The Foundation continues to provide financial support to the College in terms of scholarships, technical equipment, and other educational activities benefiting the students and community.

Using This Report

The Foundation is a component unit of the College. Although legally separate, this component unit supports the mission of the College by providing funding and services to support and foster the pursuit of higher education at the College. The College is financially accountable for the Foundation, and the College reports the Foundation's financial activities to the State of Florida.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Using This Report (Continued)

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information on the Foundation as a whole and on its activities in a way that helps the reader determine if the Foundation is in a better position from one year to the next. The statements allow the reader to analyze the information over long periods of time. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Foundation's operating results. These two statements report the Foundation's changes in net position. The Foundation's net position, which is the difference between assets and liabilities, is one way to measure the Foundation's financial health, or financial position. Over time, increases or decreases in the Foundation's net position is one indicator of whether its financial health is improving or deteriorating. One will need to consider many other financial and non-financial factors to assess the overall health of the Foundation, such as legislative funding, indirect support (staffing and facilities) provided by the College and the economy as it relates to investment fluctuations and pledge fulfillment.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Foundation's financial statements present consolidated results for three separate self-balancing components:

- Unrestricted - Representing funds that are available without restriction for carrying out the Foundation's objectives. These funds are available for any lawful purpose of the Foundation and College.
- Restricted components include:
 - Expendable - Represents funds that are subject to donor, grantor, or other outside party restrictions to use for the benefit of various programs at the College, including the expendable portion of endowment funds.
 - Nonexpendable - Represents the nonexpendable portion of endowment funds that are subject to donor, grantor, or other outside party restrictions for the benefit of various programs at the College. The corpus of nonexpendable endowment funds is only available for investment purposes and earnings on endowment funds are included in expendable funds.

The Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Foundation as of the end of the fiscal year. Its purpose is to present to the readers of the financial statements a snapshot of the Foundation at a certain point in time. The statement of net position presents end-of-year and end-of-period data concerning assets (current and noncurrent), liabilities (current and noncurrent), deferred inflows of resources, and net position (assets minus liabilities and deferred inflows of resources).

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021
(UNAUDITED)

The Statement of Net Position (Continued)

From the data presented, readers of the statement of net position are able to determine the resources available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes vendors. Finally, the statement of net position provides a picture of the net position and the availability of resources for expenditure by the Foundation as well as the increases in net position that relate to future periods.

The assets, liabilities, and net position of the Foundation as of December 31, 2022, 2021, and 2020 are summarized in the following table:

	2022	2021	2022-2021		2020	2021-2020	
			Dollar Change	Percentage Change		Dollar Change	Percentage Change
Assets:							
Current assets	\$ 20,464,241	\$ 26,629,375	\$ (6,165,134)	-23.2%	\$ 21,270,268	\$ 5,359,107	25.2%
Noncurrent assets	17,931,749	15,772,101	2,159,648	13.7%	12,594,802	3,177,299	25.2%
Total Assets	\$ 38,395,990	\$ 42,401,476	\$ (4,005,486)	-9.4%	\$ 33,865,070	\$ 8,536,406	25.2%
Liabilities:							
Current liabilities	\$ 320,373	\$ 144,193	\$ 176,180	122.2%	\$ 128,266	\$ 15,927	12.4%
Noncurrent liabilities	131,685	158,185	(26,500)	-16.8%	144,240	13,945	9.7%
Total liabilities	452,058	302,378	149,680	49.5%	272,506	29,872	11.0%
Deferred Inflows of Resources:							
Split-interest agreements	1,636,382	1,749,346	(112,964)	-6.5%	198,076	1,551,270	783.2%
Net Position:							
Unrestricted	1,500,144	1,848,095	(347,951)	-18.8%	1,271,877	576,218	45.3%
Restricted							
Expendable	19,153,010	24,035,289	(4,882,279)	-20.3%	19,539,221	4,496,068	23.0%
Nonexpendable	15,654,396	14,466,368	1,188,028	8.2%	12,583,390	1,882,978	15.0%
Total net position	36,307,550	40,349,752	(4,042,202)	-10.0%	33,394,488	6,955,264	20.8%
Total Liabilities, Deferred Inflows and Net Position	\$ 38,395,990	\$ 42,401,476	\$ (4,005,486)	-9.4%	\$ 33,865,070	\$ 8,536,406	25.2%

Net position for the Foundation decreased during the year ended December 31, 2022. This is primarily a result of losses on investment activities. When reviewing net position by component, restricted nonexpendable net position increased, while restricted expendable and unrestricted net positions decreased.

The Statement of Revenues, Expenses, and Changes in Net Position

Change in net position is based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the revenues earned and the expenses incurred by the Foundation.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Revenues and expenses are categorized as operating or nonoperating. Operating revenues and expenses represent ongoing activities in support of the College's programs and the ongoing activities of the Foundation. Operating activities relate to the Foundation's principal function, which is to solicit, receive, and administer charitable contributions for the College. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions.

The Foundation continued to receive private donations as well as investment returns for the 2022 fiscal year. Revenues, expenses, and changes in net position of the Foundation for the years ended December 31, 2022, 2021, and 2020 are presented in the following table:

	2022	2021	2022-2021		2020	2021-2020	
			Dollar Change	Percentage Change		Dollar Change	Percentage Change
Operating revenues	\$ 2,121,958	\$ 2,327,967	\$ (206,009)	-8.8%	\$ 1,574,884	\$ 753,083	47.8%
Operating expenses	2,802,425	2,019,015	783,410	38.8%	2,085,470	(66,455)	-3.2%
Operating income (loss)	(680,467)	308,952	(989,419)	-320.3%	(510,586)	819,538	-160.5%
Nonoperating revenues (losses)	(4,523,688)	4,918,300	(9,441,988)	-192.0%	3,920,059	998,241	25.5%
Other changes in net position	1,161,953	1,728,012	(566,059)	-32.8%	520,248	1,207,764	232.2%
Change in net position	(4,042,202)	6,955,264	(10,997,466)	-158.1%	3,929,721	3,025,543	77.0%
Net position, beginning of year	40,349,752	33,394,488	6,955,264	20.8%	29,464,767	3,929,721	13.3%
Net position, end of year	\$ 36,307,550	\$ 40,349,752	\$ (4,042,202)	-10.0%	\$ 33,394,488	\$ 6,955,264	20.8%

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2022 shows a decrease in net position of \$4,042,202 for the Foundation. The decrease is attributable to the aforementioned market performance. Investment losses were \$6,444,239 in 2022 and investment gains were \$4,232,033 in 2021. Excluding investment performance, operating revenues in 2022 decreased by 9% from 2021 due to the fact that the Foundation ended the comprehensive campaign June 30, 2022 and received less in-kind for staff from the College than received in 2021. Operating expenses in 2022 increased 39% from 2021 due primarily to the Foundation assuming responsibility for two salaries that the College had previously paid. Additionally, dedications and celebrations from the Comprehensive Campaign caused the Foundation to incur additional expenses. Other changes in net position decreased 33% in 2022 due primarily to the lack of funding that the Foundation received from grantors associated with COVID 19 and increased expenses tied to scholarship and programmatic payments related to temporarily restricted funds. SkillsUSA and HOSA competitions were transferred from the College to another entity, so funding the Foundation received in 2021, did not occur in 2022. The comprehensive campaign ended in June 30, 2022, so there were 6 months where cash gifts were not being solicited, pledged, or received for the comprehensive campaign.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Operating expenses of the Foundation for the years ended December 31, 2022, 2021, and 2020 are presented in the following table:

	2022	2021	2022-2021		2020	2021-2020	
			Dollar Change	Percentage Change		Dollar Change	Percentage Change
Program services	\$ 1,824,157	\$ 1,069,748	\$ 754,409	70.5%	\$ 1,258,185	\$ (188,437)	-15.0%
Management and general	710,335	619,662	90,673	14.6%	507,623	112,039	22.1%
Fundraising services	267,933	329,605	(61,672)	-18.7%	319,662	9,943	3.1%
Total operating expenses	\$ 2,802,425	\$ 2,019,015	\$ 783,410	38.8%	\$ 2,085,470	\$ (66,455)	-3.2%

Program services represent direct expenditures for the College departments. These expenditures for the year ended December 31, 2022 consisted primarily of scholarships, building additions, professional services, equipment, and supplies for the College departments.

The Statement of Cash Flows

The Statement of Cash Flows is important to readers because it shows the Foundation's ability to generate cash required for its operations and payment of obligations in a timely fashion. It also provides information regarding decisions made by management as to the use of cash available.

The Statement of Cash Flows shows the cash provided by and used in operating, investing, and noncapital financing activities.

- Operating activities include funds received (e.g. from private donors) and payments (e.g. for scholarships, programmatic equipment, materials and supplies, and suppliers for goods and services) made for the Foundation and College departments.
- Investing activities represent funds used to purchase investments, the associated investment earnings, and proceeds from sales of investments.
- Noncapital and related financing activities include funds received for permanent endowments and other related activities.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Statement of Cash Flows (Continued)

This information is consolidated to show the total increase or decrease in cash for the year as shown on the Statement of Net Position. A reconciliation is provided that shows how the operating income or loss as shown on the Statement of Revenues, Expenses, and Changes in Net Position is related to the net cash generated or consumed by operations. The difference between operating income or loss and net cash provided by or used in operating activities occurs because of the use of accrual accounting. Income will reflect revenues earned but not collected in cash and expenses incurred but not paid as of the end of the year. Thus, operating income/loss may be more or less than net cash used in operating activities.

Economic Factors That Will Affect the Future

Management believes the Foundation is well-positioned to maintain its stable financial condition and to continue providing support to students, College departments, and the community. Although raising private donations continues to present a challenge, the Foundation is raising funds through special events and other means to support the College and its operations. In addition, the Foundation has a restricted net position that should adequately fulfill the College's fiscal year 2024 requests. The Foundation is not aware of other currently known facts, decisions, or conditions that are expected to have a significant effect on the overall financial position or results of operations during the 2024 fiscal year. The Foundation's overall financial position can be affected by many factors, including world events, State of Florida legislative changes, and market fluctuations.

Requests for Information

This financial report is designed to provide a general overview of the Foundation's finances and to demonstrate the Foundation's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Foundation's Executive Director, 1000 College Boulevard, Building 17, Pensacola, Florida 32504.

BASIC FINANCIAL STATEMENTS

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
STATEMENTS OF NET POSITION
—DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 4,954,506	\$ 2,755,347
Investments, net	15,367,807	23,716,974
Promises to give, net	112,460	128,336
Other receivables, net	1,100	1,350
Prepaid expenses	28,368	27,368
Total current assets	20,464,241	26,629,375
Noncurrent Assets:		
Investments	14,847,758	13,551,703
Promises to give, net	119,629	223,843
Capital assets, net	66,295	89,024
Assets held under split-interest agreements	1,768,067	1,907,531
Property held for sale	1,130,000	-
Total noncurrent assets	17,931,749	15,772,101
Total Assets	\$ 38,395,990	\$ 42,401,476

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities:		
Accounts payable	\$ 191,536	\$ 15,556
Unearned revenues	128,837	128,637
Total current liabilities	320,373	144,193
Noncurrent Liabilities:		
Liability under split-interest agreement	131,685	158,185
Total liabilities	452,058	302,378
Deferred Inflows of Resources:		
Split-interest agreements	1,636,382	1,749,346
Net Position:		
Unrestricted -	1,500,144	1,848,095
Restricted -		
Expendable	19,153,010	24,035,289
Nonexpendable	15,654,396	14,466,368
Total net position	36,307,550	40,349,752
Total Liabilities, Deferred Inflows and Net Position	\$ 38,395,990	\$ 42,401,476

The accompanying notes are an integral
part of these financial statements.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Contributions	\$ 1,120,182	\$ 1,338,359
In-kind contributions	726,732	692,152
Other operating revenues	275,044	297,456
Total operating revenues	<u>2,121,958</u>	<u>2,327,967</u>
Operating Expenses:		
Program services	1,824,157	1,069,748
Management and general	710,335	619,662
Fundraising services	267,933	329,605
Total operating expenses	<u>2,802,425</u>	<u>2,019,015</u>
Operating Income (Loss)	<u>(680,467)</u>	<u>308,952</u>
Nonoperating Revenues (Losses):		
Interest and dividend income	790,551	686,267
Net unrealized and realized gain (loss) on investments	(6,444,239)	4,232,033
Real estate contribution	1,130,000	-
Total nonoperating revenues (losses)	<u>(4,523,688)</u>	<u>4,918,300</u>
Income (Loss) Before Other Changes in Net Position	<u>(5,204,155)</u>	<u>5,227,252</u>
Other Changes in Net Position:		
Endowed contributions	<u>1,161,953</u>	<u>1,728,012</u>
Change in Net Position	<u>(4,042,202)</u>	<u>6,955,264</u>
Net Position, Beginning of Year	<u>40,349,752</u>	<u>33,394,488</u>
Net Position, End of Year	<u>\$ 36,307,550</u>	<u>\$ 40,349,752</u>

The accompanying notes are an integral
part of these financial statements.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Cash receipts from contributions	\$ 1,240,272	\$ 1,400,870
Cash receipts from other operating revenue	275,494	363,161
Cash paid for operating expenses	(1,868,384)	(1,324,412)
Net cash provided by (used in) operating activities	<u>(352,618)</u>	<u>439,619</u>
Cash Flows From Investing Activities:		
Purchase of investment securities	(6,601,711)	(4,346,328)
Proceeds from sales of investment securities	7,200,984	3,164,209
Interest and dividends received	790,551	686,267
Net cash provided by (used in) investing activities	<u>1,389,824</u>	<u>(495,852)</u>
Cash Flows From Noncapital Financing Activities:		
Endowment contributions	<u>1,161,953</u>	<u>1,728,012</u>
Net Increase in Cash	2,199,159	1,671,779
Cash, Beginning of Year	<u>2,755,347</u>	<u>1,083,568</u>
Cash, End of Year	<u>\$ 4,954,506</u>	<u>\$ 2,755,347</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (680,467)	\$ 308,952
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	32,329	32,329
Change in allowance for uncollectible promises to give	(2,610)	(1,186)
Change in cash surrender value of life insurance	-	20,568
Changes in operating assets and liabilities -		
Promises to give	122,700	63,697
Other receivables	250	200
Prepaid expenses	(1,000)	(868)
Accounts payable	175,980	(49,578)
Unearned revenues	200	65,505
Net cash provided by (used in) operating activities	<u>\$ (352,618)</u>	<u>\$ 439,619</u>
Supplemental Disclosure of Noncash Investing Activities:		
Real estate investment received as a contribution	<u>\$ 1,130,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements.

Reporting Entity:

The Pensacola State College Foundation, Inc. (the "Foundation") was formed in 1965 as a Florida not-for-profit corporation to encourage, solicit, receive, and administer gifts and bequests of property and funds for the advancement of Pensacola State College (the "College") and its objectives.

The organization receives contributions from the public and occasionally receives state matching funds to promote and support education.

Financially Interrelated Organizations:

Generally accepted accounting principles presume that combined financial statements for financially interrelated organizations are more meaningful than separate statements and are usually necessary for fair presentation. The College and the Foundation are financially interrelated organizations as defined by generally accepted accounting principles. The Foundation is a component unit of the College and is presented within the College's reporting entity as one of its discretely presented component units.

These financial statements are intended to present only the financial position and results of operations of the Foundation, and do not include the financial position or results of operations of the College. These financial statements are issued separately to comply with the State of Florida's reporting requirements.

Basis of Presentation and Accounting:

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied.

The Foundation follows standards of accounting and financial reporting that are generally accepted in the United States of America for governmental entities. The Foundation's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting which recognizes revenue when earned and expenses as incurred.

Because the Foundation solely supports the activities of the College, which has elected to report as an entity engaged in business-type activities, the Foundation has also elected to report as an entity engaged in business-type activities.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amounts reported and disclosed in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments:

The Foundation records investments at quoted market values. The market value method of accounting for endowment funds is employed to ensure proper distribution of market price changes, realized gains (losses) on sales, accrued income earned and distribution of investment earnings. Investment income from endowed investments, up to 5%, is recorded as revenue in the restricted funds as designated by the individual endowments. Endowment investment income in excess of 5% is added to the principal of the nonexpendable endowments, where applicable in accordance with donor agreements, and investment activity of trusts and other formal agreements is recorded as stated in the respective document(s). Income from the investments in the remaining funds is recorded as revenue in the respective fund.

In accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as adopted by the State of Florida in July 2006, the Foundation employs a total return method for establishing investment objectives and spending policies designed to achieve financial equilibrium for endowment funds over the long term.

The Foundation utilizes a spending policy designed to smooth spending distributions and protect endowed programs from market volatility by calculating distributions based on a percentage of the average market value of the endowment over a specified period of time. The Foundation has made expenditure decisions in accordance with prevailing UPMIFA standards and donor gift agreements. UPMIFA allows organizations to appropriate for expenditure the amount of an endowment fund the organization deems is prudent based on a review of various factors set forth in UPMIFA, subject to terms set forth in the gift agreement.

For the years ended December 31, 2022 and 2021, the Foundation endowment spending rule provided for annual distributions not to exceed 5% of the average three-year value of the portfolio. For the years ended December 31, 2022 and 2021, the Foundation's endowments provided investment income of 2.63% and 2.36%, respectively, of the average three-year market value.

Investments classified as current are either unrestricted or are available for expenditure in the next fiscal year in accordance with donor restrictions.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate Investment:

During the year ended December 31, 2019, the Foundation received a \$250,000 real estate contribution that was being used as rental property until it was sold for the purpose of establishing an endowment. Since the property was being held to generate income until sold, the property was classified as an investment pursuant to Government Accounting Standards Board ("GASB") Statement 72, *Fair Value Measurement and Application*. The property is recorded at fair market value, net of depreciation. ~~Depreciation expense for the years ended December 31, 2022 and 2021 was \$9,600 and \$9,600, respectively.~~ Rental income for the years ended December 31, 2022 and 2021 was \$6,455 and \$11,145, respectively.

Property Held for Sale:

During the year ended December 31, 2022, the Foundation received a \$1,130,000 real estate contribution that is classified as property held for sale, pursuant to GASB 72. This property is recorded at the lower of cost or fair value less costs to sell. Costs include various administrative fees related to listing the property on the market.

Allowance for Doubtful Accounts:

No allowance for doubtful accounts has been established for other receivables as management believes all amounts are collectible. An allowance for doubtful accounts has been established for promises to give.

Capital Assets:

Capital assets are recorded at cost, except for donated assets which are recorded at estimated fair market value at the date of receipt. In 2021, the Foundation revised its policy to state that assets with a useful life of three or more years and costing \$10,000 or more are capitalized and depreciated over their estimated service lives on a straight-line basis. Estimated lives used in determining depreciation for furniture and equipment are 5 years. Improvements to leased facilities have been capitalized and are amortized over 5 years.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements:

The Foundation serves as trustee for split-interest agreements classified as charitable remainder unitrusts. Assets received under these agreements are recorded at fair market value and the liabilities to make future payments under these agreements are recorded at present value, with the difference reported as deferred inflows of resources. These assets and liabilities are adjusted to reflect changes in their fair market value and present value. The determination of the present value of liabilities under split-interest agreements is based on discount rates, the remaining time period as determined in the trust documents, and the fair value of the underlying investment portfolio.

Deferred Inflows of Resources:

The Foundation reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of the statement of net position. Deferred inflows of resources related to split-interest agreements is discussed in Note 5.

Revenues and Expenses:

Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities which are in support of the College's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, and administer charitable contributions for the College. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions.

Income Taxes:

The Foundation is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

In-Kind Contributions:

The College provides the Foundation with administrative and staff support and office facilities. In-kind contributions are reflected as both revenue and as an equal amount of expense in the statement of revenues, expenses, and changes in net position at the estimated fair value of such contributions. Personnel support is reflected based on all costs associated with employment of personnel paid by the College.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

Functional Allocation of Expense:

The costs of various programs and activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications:

Certain accounts in the 2021 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2022 financial statements.

Recent Accounting Pronouncements:

On January 1, 2022, the Foundation adopted Statement No. 87, *Leases* ("GASB 87"), which addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases and recognized as inflows of resources or outflows of resources. GASB 87 establishes the lessee's requirement to recognize a lease liability and an intangible right-to-use asset. The adoption of GASB 87 did not have a significant impact on the Foundation's financial statements.

NOTE 2 - CASH AND INVESTMENTS

The Foundation has an investment policy which provides guidelines for the investment of Foundation assets. The objectives of the Foundation's policy are to provide a total return from investments that will preserve the purchasing power of the endowed assets in addition to generating an income stream to support the activities of the College. The Foundation Finance Committee establishes and maintains the investment policy. Investments held by the Foundation at December 31, 2022 and 2021 are reported at fair value. These investments are held by Synovus Trust Company, N.A. ("Synovus"), of Columbus, Georgia, by its sub-custodian, The Bank of New York Mellon.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

The following table presents the fair value of investments as of December 31, 2022 and 2021.

Investment Type	2022	2021
<u>Equity Mutual Funds</u>		
DFA Emerging Markets Fund	\$ 480,920	\$ -
Cohen & Steers Realty Fund	344,617	-
Mainstay CBRE Global Infrastructure Fund	390,547	-
Oppenheimer Developing Markets Fund	-	680,060
Vanguard Developed Market Index Fund	2,366,057	2,794,078
Vanguard Dividend Appreciation Index Fund	1,478,189	-
Vanguard 500 Index Fund	11,953,117	14,015,183
Vanguard Mid Cap Index Fund	2,263,229	3,989,628
Vanguard Small Cap Index Fund	2,239,735	3,912,164
<u>Fixed Income Mutual Funds</u>		
Dodge & Cox Income Fund	2,027,235	2,117,669
Vanguard Inflation-Protected Services Securities Fund	2,448,579	3,219,113
Vanguard Short-Term Investment Grade Fund	1,072,854	2,108,462
Vanguard Interim Term Bond Index Fund	1,013,632	-
Federated Total Return Bond Fund	1,909,153	2,090,777
Federated Ultrashort Bond Fund	-	2,104,213
<u>Federal Agency Obligations</u>		
Government National Mortgage Association II Modified Pass Through Pool	101	130
Real estate investment, net	227,600	237,200
Total investments	<u>\$ 30,215,565</u>	<u>\$ 37,268,677</u>

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk:

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the Foundation to experience a loss of principal. As a means of limiting its exposure to losses arising from credit risk, the Foundation's investment policies limit the exposure of its various investment types. The Foundation's investment policy permits investment in equities listed on a national exchange and bonds issued in United States dollars. Uses of leverage in an account (margin or derivatives securities that increase risk) are prohibited as an investment. Cash should be transitional or held for the purpose of providing liquidity to meet the Foundation's cash flow requirements. This includes commercial paper with an A-1 or P-1 rating at the time of initial investment and money market funds.

Concentration of Credit Risk:

The Foundation funds are invested to produce maximum total return consistent with prudent risk limits. The allocation of the portfolio over various asset classes is the single most important determinant of investment risk and return. At December 31, 2022 and 2021, the investment allocation targets set forth in the investment policy and the actual investment allocation were as follows:

Investment Type	Target Range	Actual Allocation	
		2022	2021
Equity securities	45% - 75%	72%	69%
Fixed income securities	25% - 55%	28%	31%
<u>Ranges within equity securities:</u>			
International and emerging market equities	20% or less	10%	9%
Small capitalization equities	5% - 25%	7%	11%
<u>Ranges within fixed income securities:</u>			
Diversified portfolio of non-investment grade bonds	5% or less	0%	0%

No more than 5% of Foundation assets may be invested in any one issuer, except the U.S. Government.

Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Along with federal depository insurance, the Foundation's demand deposits and money market accounts are secured as provided by Chapter 280, Florida Statutes, which requires local governments to deposit funds only in financial institutions designated as qualified public depositories and creates a trust fund with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued):

At December 31, 2022 and 2021, cash equivalents consisted of \$2,790,227 and \$835,495, respectively, held in the Federated Government Obligations money market mutual fund. The fund seeks to preserve the value of the investments at \$1 per share; however, it is not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The fixed income mutual funds are not rated by a nationally recognized statistical rating organization; however, Synovus prepared average credit quality calculations based on the underlying investments in the funds.

At December 31, 2022 the average effective maturity, duration, and credit quality of the Foundation's fixed income investments were as follows:

Investment Type	2022		
	Average Effective Maturity (Years)	Average Effective Duration (Years)	Average Credit Quality Rating
Dodge & Cox Income Fund	10.40	5.50	A+
Vanguard Inflation Protected Securities Fund	7.30	6.80	AAA
Vanguard Short-Term Investment - Grade Fund	3.10	2.80	A-
Vanguard Intermediate Term Bond Index Fund	7.10	6.30	AA-
Federated Total Return Bond Fund	8.30	5.70	AA-

At December 31, 2021 the average effective maturity, duration, and credit quality of the Foundation's fixed income investments were as follows:

Investment Type	2021		
	Average Effective Maturity (Years)	Average Effective Duration (Years)	Average Credit Quality Rating
Dodge & Cox Income Fund	8.30	4.70	A
Vanguard Inflation Protected Securities Fund	7.90	7.50	AAA
Vanguard Short-Term Investment - Grade Fund	2.90	2.70	BBB
Federated Total Return Bond Fund	8.60	5.30	BBB
Federated Ultrashort Bond Fund	1.20	0.90	BBB+

PENSACOLA STATE COLLEGE FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Net Return on Investments:

The net return on investments was as follows:

	<u>Total Unrestricted</u>	<u>Total Restricted - Expendable</u>
Year Ended December 31, 2022		
Dividends and interest	\$ 154,083	\$ 636,468
Net realized gain on investments	9,532	206,611
Unrealized loss on investments	<u>(380,962)</u>	<u>(6,279,420)</u>
Total return on investments	<u>\$ (217,347)</u>	<u>\$ (5,436,341)</u>
	<u>Total Unrestricted</u>	<u>Total Restricted - Expendable</u>
Year Ended December 31, 2021		
Dividends and interest	\$ 138,612	\$ 547,655
Net realized gain on investments	18,805	411,509
Unrealized gain on investments	<u>167,255</u>	<u>3,634,464</u>
Total return on investments	<u>\$ 324,672</u>	<u>\$ 4,593,628</u>

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at December 31 consists of the following:

	<u>2022</u>	<u>2021</u>
Total promises to give	\$ 239,418	\$ 366,693
Less present value discount	<u>(2,662)</u>	<u>(7,237)</u>
	236,756	359,456
Less allowance for uncollectible pledges	<u>(4,667)</u>	<u>(7,277)</u>
Total promises to give, net	<u>\$ 232,089</u>	<u>\$ 352,179</u>

PENSACOLA STATE COLLEGE FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 - PROMISES TO GIVE (Continued)

	2022	2021
Amounts due in:		
Less than one year	\$ 112,460	\$ 128,336
One to five years	119,629	223,843
Total promises to give, net	\$ 232,089	\$ 352,179

Promises to give were discounted using a risk-free interest rate of 2% in fiscal years 2022 and 2021.

Time-restricted and endowment contribution receivables (gross) not recognized in the Statement of Net Position under the provisions of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* were \$241,912 and \$458,000 at December 31, 2022 and 2021, respectively.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Leasehold improvements	\$ 503,354	\$ -	\$ -	\$ 503,354
Less accumulated depreciation	414,330	22,729	-	437,059
Total capital assets, net	\$ 89,024	\$ (22,729)	\$ -	\$ 66,295

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Leasehold improvements	\$ 503,354	\$ -	\$ -	\$ 503,354
Less accumulated depreciation	391,601	22,729	-	414,330
Total capital assets, net	\$ 111,753	\$ (22,729)	\$ -	\$ 89,024

Depreciation expense for the years ended December 31, 2022 and 2021 was \$22,729 and \$22,729, respectively.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 - SPLIT-INTEREST AGREEMENTS

During 2003, a grantor named the Foundation as the trustee of a Charitable Remainder Educational Trust and a Charitable Remainder Unitrust. Under the terms of the Charitable Remainder Unitrust, the grantor waived all rights of the Trust and the Foundation was named beneficiary of a life insurance policy of the grantor. During the year ended December 31, 2021, the grantor passed away and the Foundation received \$461,610 in insurance proceeds. The Charitable Remainder Educational Trust assets are recorded at fair value and the related liabilities to make future payments under this trust are recorded at present value. At December 31, 2022 and 2021, the Charitable Remainder Educational Trust assets had an estimated value of \$214,793 and \$253,347, respectively, and the liability was valued at \$131,685 and \$158,185, respectively. The determination of the present value of the liability was based upon the discount rate of 7%.

Under the terms of the Charitable Remainder Educational Trust, designated beneficiaries may receive 7% of the fair value of the trust for 20 years (through 2024) to pay post-secondary education costs. At the earlier of the death of all designated beneficiaries or 20 years, the remaining assets will be available for use by the Foundation. In August 2016, each of the four designated beneficiaries agreed to be allocated an equal share of the accumulated unitrust balance and the annual 7% unitrust amount through June 30, 2024. Such allocations will be available to the beneficiaries for post-secondary education expenses.

The Foundation is and has been the sole recipient of annual gifts from the J.D. Carroll Irrevocable Trust since 1966. At December 31, 2022 and 2021, the trust was valued at \$103,131 and \$124,022, respectively and reported as a split-interest agreement within nonexpendable net position.

During 2019, a grantor named the Foundation as the trustee of a Charitable Remainder Educational Trust and a Charitable Remainder Unitrust. Under the terms of the Charitable Remainder Unitrust, the grantor waived all rights of the Trust and the Foundation was named beneficiary of an investment portfolio of the grantor. The Charitable Remainder Educational Trust assets are recorded at fair value. At December 31, 2022 and 2021, the Charitable Remainder Educational Trust assets had an estimated value of \$1,350,143 and \$1,530,162, respectively.

During 2022, a grantor named the Foundation as the sole beneficiary of a non-interest-bearing note made payable from the grantor's trust. Under the terms of the agreement, the grantor irrevocably waived all rights to the note. The asset is recorded at the estimated fair value of \$100,000 as of December 31, 2022.

Total deferred inflows on split-interest agreements represents changes in fair market value, interest income, and fees of the split-interest agreements. The deferred inflows are calculated in accordance with GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 - NET POSITION

Net position is divided into two major categories, unrestricted and restricted. Unrestricted net position includes resources available for any lawful purpose of the Foundation. Included in the Foundation's unrestricted net position, The Board of Governors has designated \$60,000 for future contingencies and \$441,042 as a reserve for future operating expenses. Starting in 2022, the Foundation began designating a portion of unrestricted net position for organizational support; at December 31, 2022, this amount totaled \$157,280.

~~Restricted net position includes resources which are restricted by donors and are classified as either expendable or nonexpendable. Expendable restricted net position includes resources available to the Foundation for expenditure in accordance with stipulations made by donors or external entities that have placed time or purpose restrictions on the use of those resources. The corpus of nonexpendable permanent endowments is available for investment purposes only. Investment earnings on nonexpendable permanent endowments are expendable pursuant to the time or purpose restrictions stipulated by the donors.~~

Expendable restricted net position at December 31, 2022 and 2021 was comprised of the following:

	<u>2022</u>	<u>2021</u>
Dr. Philip Benjamin Academic Improvement Trust	\$ 3,189,783	\$ 3,775,513
Florida Health Care Grant	381,175	416,226
Florida Scholarship Matching Program	8,327,196	11,883,105
Florida Blue Scholarship Program	9,761	16,497
Dr. Philip Benjamin Academic Improvement Trust - to be Matched	582,915	582,915
Florida Scholarship Matching Program - to be matched	1,713,702	682,139
Promises to give	229,389	361,272
Other	<u>4,719,089</u>	<u>6,317,622</u>
Total	<u>\$ 19,153,010</u>	<u>\$ 24,035,289</u>

PENSACOLA STATE COLLEGE FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 - NET POSITION (Continued)

Nonexpendable restricted net position at December 31, 2022 and 2021 was comprised of the following:

	2022	2021
Dr. Philip Benjamin Academic Improvement Trust	\$ 1,698,309	\$ 1,698,309
Florida Health Care Grant	121,337	121,337
Florida Scholarship Matching Program	5,585,179	5,585,179
Dr. Philip Benjamin Academic Improvement Trust - to be matched	110,132	110,132
Florida Scholarship Matching Program - to be matched	6,458,083	5,308,630
Other	1,681,356	1,642,781
Total	\$ 15,654,396	\$ 14,466,368

NOTE 7 - CHANGES IN ENDOWMENT NET POSITION

The following tables present the changes in net position for the Foundation's endowments for the years ended December 31, 2022 and 2021:

	2022		
	Expendable	Nonexpendable	Total
Endowment net position, beginning of year	\$ 16,367,373	\$ 14,466,368	\$ 30,833,741
Interest and dividends	620,068	-	620,068
Net depreciation	(4,956,211)	(93,500)	(5,049,711)
Contributions	1,130,000	1,161,953	2,291,953
Appropriation of endowment assets for expenditure	(419,970)	-	(419,970)
Other changes	(91,386)	119,575	28,189
Endowment net position, end of year	\$ 12,649,874	\$ 15,654,396	\$ 28,304,270
	2021		
	Expendable	Nonexpendable	Total
Endowment net position, beginning of year	\$ 12,750,297	\$ 12,583,390	\$ 25,333,687
Interest and dividends	532,502	8,590	541,092
Net appreciation	3,331,498	3,302	3,334,800
Contributions	-	1,728,012	1,728,012
Appropriation of endowment assets for expenditure	(308,913)	-	(308,913)
Other changes	61,989	143,074	205,063
Endowment net position, end of year	\$ 16,367,373	\$ 14,466,368	\$ 30,833,741

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 - FAIR VALUE MEASUREMENTS (Continued)

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 input are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value of the Foundation's assets and liabilities at December 31, 2022 and 2021 was as follows:

Description	2022			Total
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market mutual funds	\$ 2,790,227	\$ -	\$ -	\$ 2,790,227
Investments:				
Equity mutual funds	21,516,411	-	-	21,516,411
Fixed income mutual funds	8,471,453	-	-	8,471,453
Federal agency obligations	-	101	-	101
Real estate investment, net	-	-	227,600	227,600
Assets held under split-interest agreements:				
Funds held in trust	214,793	-	-	214,793
Funds held in trust by others	-	1,553,274	-	1,553,274
Total assets	32,992,884	1,553,375	227,600	34,773,859
Liability under split-interest agreement	-	-	(131,685)	(131,685)
Total	\$ 32,992,884	\$ 1,553,375	\$ 95,915	\$ 34,642,174
Description	2021			Total
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market mutual funds	\$ 835,495	\$ -	\$ -	\$ 835,495
Investments:				
Equity mutual funds	25,391,113	-	-	25,391,113
Fixed income mutual funds	11,640,234	-	-	11,640,234
Federal agency obligations	-	130	-	130
Real estate investment	-	-	237,200	237,200
Assets held under split-interest agreements:				
Funds held in trust	253,347	-	-	253,347
Funds held in trust by others	-	1,654,184	-	1,654,184
Total assets	38,120,189	1,654,314	237,200	40,011,703
Liability under split-interest agreement	-	-	(158,185)	(158,185)
Total	\$ 38,120,189	\$ 1,654,314	\$ 79,015	\$ 39,853,518

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 - FAIR VALUE MEASUREMENTS (Continued)

The following methods and assumptions were used to estimate the fair value for each class of asset and liability, measured at fair value:

Money market mutual funds - Funds are measured at the published value per share (unit) and are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

~~Equity mutual funds - Funds are measured at fair value using quoted market prices and are classified as Level 1 as they are traded in an active market for which closing prices are readily available.~~

Fixed income mutual funds - Funds are classified as Level 1 as they trade with sufficient frequency and volume to enable the Foundation to obtain pricing information on an ongoing basis.

Federal agency obligations - Investments are classified as Level 2 are measured based on quoted prices for similar securities in active markets.

Real estate investments, net - Investments are classified as Level 3 as the investments were not recorded based on the active market. The investments were recorded at fair market value based on property appraisals, net of depreciation.

Funds held in trust - Assets held by the Foundation are invested in the Level 1 securities noted above (money market mutual funds, equity mutual funds, and fixed income mutual funds).

Funds held in trust by others - The Foundation's interest in the irrevocable split-interest agreement held or controlled by a third party is classified as Level 2 as the fair value is based on a combination of Level 1 inputs (underlying investments) and significant other observable inputs (the Foundation's share of the trust portfolio).

Liability under split-interest agreement - The liability is classified as Level 3 as fair value is measured at the present value of the future distributions the Foundation expects to make over the term of the agreement (significant unobservable inputs).

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 - RELATED PARTY TRANSACTIONS

Foundation Support:

The College provides support to the Foundation by providing management and clerical staff, supplies and office expenses, and the use of computer equipment without charge to the Foundation.

The value of these services and materials was recognized as in-kind revenue and expense by the Foundation during the years ended December 31, 2022 and 2021 as follows:

	2022	2021
Supplies	\$ 32,369	\$ 44,231
Office facilities	27,756	26,310
Management and clerical staff	550,983	583,626
	\$ 611,108	\$ 654,167

Leases:

The Foundation leases the College Centre Apartments from the College for use as dormitories. The lease is classified as an operating lease, is effective through July 31, 2023, and is renewable annually. The annual rental rate is renegotiated at each renewal. The rental expense for the years ended December 31, 2022 and 2021 was \$46,067 and \$45,188, respectively. There are no minimum future rental payments as the annual payment had been made as of December 31, 2022.

The Foundation leases land and buildings, two houses, one triplex and one duplex from the College, and subleases these as residential apartments to the general public. The leases are classified as operating leases. The leases are effective through June 30, 2023 and have one-year renewal options through 2024 and 2032. The annual rental payments of \$1 per year were made for 2022 and 2021. Future minimum payments are \$1 per year through 2024 and 2032. No estimate of the fair value of these leases has been determined.

Total sublease income recognized under these leases for the years ended December 31, 2022 and 2021 was \$212,944 and \$182,557, respectively. All subleases are for a period of one year.

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

Contributions:

Total contributions from members of the Board of Governors, their spouses, and their businesses totaled \$189,805 and \$235,737 for the years ended December 31, 2022 and 2021, respectively. Promises to give at December 31, 2021 included approximately \$1,000 in promises to give due from members of the Board of Governors and senior Foundation management. There were no promises to give due from members of the Board of Governors and senior Foundation management at December 31, 2022.

NOTE 10 - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are subject to Section 768.28, Florida Statutes, and are covered through the purchase of commercial insurance with minimal deductibles and an agreement through the College with the Florida College System Risk Management Consortium. The Foundation has not experienced claims for any of these risks for the past three fiscal years.

NOTE 11 - CONCENTRATION

The Foundation's services are funded by contributions from individuals and businesses in Northwest Florida and by in-kind services and facilities provided by the College. The Foundation's ability to continue to provide the same level of services is dependent on continued funding from these sources.

OTHER INFORMATION

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
DR. PHILIP BENJAMIN MATCHING GRANT PROGRAMS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for December 31, 2021)

	2022				2021 Comparative Total
	Florida Health Care Grant	Florida Scholarship Matching Program	Dr. Philip Benjamin Academic Improvement Trust	Total	
Operating Revenues:					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Match revenues	-	-	-	-	-
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses:					
Program services	964	330,220	22,327	353,511	302,872
Operating Loss	<u>(964)</u>	<u>(330,220)</u>	<u>(22,327)</u>	<u>(353,511)</u>	<u>(302,872)</u>
Nonoperating Revenues (Losses):					
Interest and dividend income	10,317	476,007	90,465	576,789	547,191
Net unrealized and realized gain (loss) on investments	(44,404)	(3,701,696)	(653,868)	(4,399,968)	3,068,088
Other income	-	-	-	-	17,706
Net nonoperating revenues (losses)	<u>(34,087)</u>	<u>(3,225,689)</u>	<u>(563,403)</u>	<u>(3,823,179)</u>	<u>3,632,985</u>
Change in Net Position	<u>(35,051)</u>	<u>(3,555,909)</u>	<u>(585,730)</u>	<u>(4,176,690)</u>	<u>3,330,113</u>
Net Position, Beginning of Year	<u>537,563</u>	<u>17,468,284</u>	<u>5,473,822</u>	<u>23,479,669</u>	<u>20,149,556</u>
Net Position, End of Year	<u>\$ 502,512</u>	<u>\$ 13,912,375</u>	<u>\$ 4,888,092</u>	<u>\$ 19,302,979</u>	<u>\$ 23,479,669</u>

PENSACOLA STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF PENSACOLA STATE COLLEGE
FLORIDA COMMUNITY COLLEGE SCHOLARSHIP PROGRAMS
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Operating Revenues:		
Contributions - Florida Blue	\$ 17,506	\$ 16,750
Operating Expenses:		
Program services	40,992	16,777
Operating Loss	(23,486)	(27)
Other Changes in Net Position:		
Net transfers to/from other expendable restricted	16,750	-
Change in Net Position	(6,736)	(27)
Net Position, Beginning of Year	16,497	16,524
Net Position, End of Year	\$ 9,761	\$ 16,497