

**VALENCIA COLLEGE
FOUNDATION, INC.**

**Financial Statements and
Supplementary Information**

March 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Valencia College Foundation, Inc.
Orlando, Florida

Opinion

We have audited the accompanying financial statements of Valencia College Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022 and the related statements of activities, statement of functional expenses and cash flows for the year 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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Foundation as of March 31, 2021, were audited by other auditors whose report dated August 11, 2021, expressed an unmodified opinion on those statements.

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.

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Responsibilities of Management for the Financial Statements (continued)

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 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

Report on Supplementary Information

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

The Overview and Analysis of the Foundation's Finances has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2022 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.

August 17, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Valencia State College Foundation, Inc.

OVERVIEW AND ANALYSIS OF THE FOUNDATION'S FINANCES (unaudited)

For the years ended March 31, 2022 and 2021

The leadership of Valencia College Foundation, Inc. (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, 2022. Readers are encouraged to consider this information in conjunction with the independent auditors' report and the financial statements included herein. The foundation's financial statements have been audited by Berman Hopkins Wright & LaHam, LLP an independent licensed certified public accountant firm. This is initial audit of the foundation by Berman Hopkins; driven by the desire to rotate auditor firms every 5 to 7 years. The goal of the independent audit is to provide reasonable assurance that the financial statements of the foundation as of and for the fiscal year ended March 31, 2022 are free from material misstatement.

This report represents the foundation's leadership overview of the organization's financial health and well-being. Consequently, we assume full responsibility for the completeness and reliability of all information. In order 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. Due to vacancies in leadership positions, James Galbraith, Valencia College's VP Public Affairs & Advancement has assumed the responsibilities of the Foundation President as Interim Executive Director. Loren Bender, Valencia College's VP Business Op & CFO has assumed the responsibilities of the CFO. A position was created in the foundation's finance and was filled by Sue Fagan, Senior Director Accounting Foundation, who served as Valencia College's Budget Director. 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.

Financial Highlights

Condensed Statement of Financial Position

March 31,	2022	2021	Change
Current Assets	\$ 104,992,467	\$ 99,448,932	\$ 5,439,638
Noncurrent Assets	7,991,608	8,181,523	(189,915)
Total assets	<u>\$ 112,984,075</u>	<u>\$ 107,630,455</u>	<u>\$ 5,249,723</u>
Current liabilities	1,587,503	603,124	984,379
Net assets	<u>111,396,572</u>	<u>107,027,331</u>	<u>4,369,241</u>
	<u>\$ 112,984,075</u>	<u>\$ 107,630,455</u>	<u>\$ 5,353,620</u>

On March 31, 2022, the assets of Valencia College Foundation exceeded its liabilities by \$111,396,572. Which includes:

- \$16,321,076 (net assets without donor restrictions) may be used to provide academic, community and college program support, as well as general and administrative support;
- \$59,673,246 (net assets with donor restrictions) represents funds which have been limited by donors with time restrictions or for special purposes; and
- \$35,402,250 (endowment funds restricted in perpetuity) is the non-expendable portion of funds that are invested in perpetuity.

Condensed Statements of Activities

March, 31	2022	2021	Change
Revenue, gains (losses) and support			
Contributions	\$ 3,859,086	\$ 2,190,780	\$ 1,668,306
Florida prepaid matching contribution	124,877	99,008	25,869
State support	289,930	272,103	17,827
Rent	456,462	456,462	-
Interest and dividends	8,531,018	2,930,935	5,600,083
Net realized and unrealized gains (losses) on investments	(3,025,862)	21,801,626	(24,827,488)
Unrealized gain (loss) on Florida prepaid scholarships	80,245	506,636	(426,391)
Other income, net	(7,464)	12,580	(20,044)
Total revenue, gains (losses) and support	<u>10,308,292</u>	<u>28,270,130</u>	<u>(17,961,838)</u>
Expenses			
Program	4,528,034	6,473,184	(1,945,150)
Management and general	729,112	599,961	129,151
Fundraising	681,905	737,610	(55,705)
Total expenses	<u>5,939,051</u>	<u>7,810,755</u>	<u>(1,871,704)</u>
Change in net assets	<u>\$ 4,369,241</u>	<u>\$ 20,459,375</u>	<u>\$ (16,090,134)</u>

Student Scholarship Support

Student scholarship support was the largest area of program services disbursed totaling \$2,531,521 or 56% of program service support. The foundation awarded \$1,226,290 to students from more than 401 endowed scholarship funds. Other material scholarship opportunities provided by the foundation include:

- \$435,895 for first generation in college students;
- \$289,575 in scholarships to assist students in the Continuing Education Program; and
- \$223,534 in scholarships for Horizon Scholars Program graduates.

Program Support

Academic program funding was the other significant area disbursing \$1,394,877 or 31% of program service support.

- \$500,000 for continued expansion of the School of Nursing;
- \$184,000 for the Horizon Scholars Program;
- \$78,000 for the Peace and Justice Program; and
- \$61,000 for the Art of Tomorrow Program.

Operating Expenses

Operating 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. Total operating expenses were \$1,411,017.

Investment Pool

Total investments are \$95,616,186 which includes SEI \$94,892,772, Fidelity \$347,763, and Regions Morgan Keenen \$375,651.

Endowment Spending Policy

The spending rate is set at the beginning of each fiscal year. The current spending rate is 4% based on a rolling 7-year market value average. Each account is reviewed to determine the budget by ensuring sufficient appreciation in market value above the corpus. Total Endowment value was \$89,849,768.

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 unflinchingly 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, Valencia College 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.

Valencia College Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31,

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,799,848	\$ 3,148,412
Investments	95,616,186	89,286,309
Pledges receivable, net	1,402,451	983,559
Florida prepaid tuition scholarships	6,031,842	5,925,378
Accounts receivable	73,825	67,343
Other current assets	68,315	37,931
Total current assets	104,992,467	99,448,932
NONCURRENT ASSETS		
Rental property, net	7,991,608	8,144,969
Furniture and equipment, net	-	36,554
Total noncurrent assets	7,991,608	8,181,523
Total assets	\$ 112,984,075	\$ 107,630,455
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Related party accounts payable	\$ 1,265,657	\$ 338,505
Accounts payable and accrued expenses	66,872	67,936
Deferred revenue	168,502	142,308
Trust liability	52,931	54,375
Donor life insurance premiums	33,541	-
Total liabilities	1,587,503	603,124
NET ASSETS		
Without donor restrictions	16,321,076	16,257,349
With donor restrictions	95,075,496	90,769,982
Total net assets	111,396,572	107,027,331
Total liabilities and net assets	\$ 112,984,075	\$ 107,630,455

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

Valencia College Foundation, Inc.

STATEMENT OF ACTIVITIES

For the year ended March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 672,139	\$ 3,186,947	\$ 3,859,086
Florida prepaid matching contribution	124,877	-	124,877
State support	-	289,930	289,930
Rent	456,462	-	456,462
Interest and dividends, net of investment fees	(192,587)	8,723,605	8,531,018
Net realized and unrealized loss on investments	(60,430)	(2,965,432)	(3,025,862)
Unrealized gain on Florida prepaid tuition scholarships	80,244	-	80,244
Other income (losses), net	(21,355)	13,892	(7,463)
Net assets released from restrictions:			
Program support	3,487,682	(3,487,682)	-
Administrative support	1,455,746	(1,455,746)	-
Total revenues, gains and other support	6,002,778	4,305,514	10,308,292
EXPENSES			
Program	4,528,034	-	4,528,034
Management and general	729,112	-	729,112
Fundraising	681,905	-	681,905
Total expenses	5,939,051	-	5,939,051
Change in net assets	63,727	4,305,514	4,369,241
NET ASSETS AT BEGINNING OF YEAR	16,257,349	90,769,982	107,027,331
NET ASSETS AT END OF YEAR	\$ 16,321,076	\$ 95,075,496	\$ 111,396,572

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

Valencia College Foundation, Inc.

STATEMENT OF ACTIVITES (continued)

For the year ended March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER 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 other support	<u>8,264,430</u>	<u>20,005,700</u>	<u>28,270,130</u>
EXPENSES			
Program	6,473,184	-	6,473,184
Management and general	599,961	-	599,961
Fundraising	737,610	-	737,610
Total expenses	<u>7,810,755</u>	<u>-</u>	<u>7,810,755</u>
Change in net assets	453,675	20,005,700	20,459,375
NET ASSETS AT BEGINNING OF YEAR	<u>15,803,674</u>	<u>70,764,282</u>	<u>86,567,956</u>
NET ASSETS AT END OF YEAR	<u>\$ 16,257,349</u>	<u>\$ 90,769,982</u>	<u>\$ 107,027,331</u>

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

Valencia College Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2022

	Program	Management and General	Fundraising	Total
Scholarships	\$ 2,531,521	\$ -	\$ -	\$ 2,531,521
Academic program support	1,394,877	-	-	1,394,877
Salaries and benefits	228,930	348,846	512,367	1,090,143
College and community relations	263,625	-	-	263,625
Professional services and contract labor	-	112,492	-	112,492
Board functions and development	-	103,973	-	103,973
Donor recognition and correspondence	-	-	94,441	94,441
Teaching chairs	75,527	-	-	75,527
Other operating expenses	-	72,625	-	72,625
Community relations	-	13,374	-	13,374
Supplies and materials	-	11,298	-	11,298
Advertising	-	8,605	-	8,605
Property taxes and insurance	1,348	2,054	3,017	6,419
Equipment	-	6,144	-	6,144
Travel	-	625	-	625
	<u>4,495,828</u>	<u>680,036</u>	<u>609,825</u>	<u>5,785,689</u>
NONCASH EXPENSE				
Depreciation	32,206	49,076	72,080	153,362
	<u>\$ 4,528,034</u>	<u>\$ 729,112</u>	<u>\$ 681,905</u>	<u>\$ 5,939,051</u>

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

Valencia College Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES (continued)

For the 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
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
	<u>6,445,860</u>	<u>546,920</u>	<u>657,246</u>	<u>7,650,026</u>
NONCASH EXPENSE				
Depreciation	27,324	53,041	80,364	160,729
	<u>\$ 6,473,184</u>	<u>\$ 599,961</u>	<u>\$ 737,610</u>	<u>\$ 7,810,755</u>

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

Valencia College Foundation, Inc.

STATEMENTS OF CASH FLOWS

For the years ended March 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,369,241	\$ 20,459,375
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	153,362	160,729
Decrease in value of trust liability	(1,444)	(3,039)
Net realized and unrealized losses (gains) on investments	3,025,862	(21,801,626)
Non-cash contributions for Florida prepaid tuition scholarships	(107,598)	(99,008)
Unrealized gain on Florida prepaid tuition scholarships	(80,244)	(506,636)
Loss on disposal of capital assets	36,553	-
Florida prepaid scholarships awarded	331,133	154,011
Increase/decrease in assets:		
Pledges receivable	(418,892)	817,270
Accounts receivable	(6,482)	-
Other current assets	(30,385)	16,332
Increase/decrease in liabilities:		
Related party accounts payable	927,152	22,298
Accounts payable and accrued expenses	(1,064)	(41,319)
Unearned revenue	26,194	28,193
Donor life insurance premiums	33,541	-
Net cash provided by (used in) operating activities	8,256,929	(793,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,617,225)	(16,939,213)
Proceeds from sale of investments	6,261,486	18,971,918
Purchase of Florida prepaid tuition scholarships	(249,754)	(99,008)
Purchase of property and equipment	-	(10,365)
Net cash provided by (used in) investing activities	(9,605,493)	1,923,332
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,348,564)	1,129,912
Cash and cash equivalents at beginning of year	3,148,412	2,018,500
Cash and cash equivalents at end of year	\$ 1,799,848	\$ 3,148,412

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

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of activities

Valencia College Foundation, Inc. (the “Foundation” or “Organization”) was established in 1974 to serve as a direct-support organization for Valencia College (“Valencia” or “College”), 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.

2. 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.

3. 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 deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of related contingent items at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and cash equivalents

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

5. 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. The investment expenses are netted against interests and dividends without donor restrictions in the accompanying statements of activities.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

6. Pledges receivable, net

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

7. Florida prepaid tuition scholarships

These scholarships 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. 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.

8. Impairment of long-lived assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. As of March 31, 2022 and 2021, management has determined that no impairment exists.

9. Rental property

Rental property includes land, buildings, and improvements, and is stated at cost when purchased. Depreciation of building and improvements is calculated using the straight-line method over its estimated useful life of 40 years.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

9. Rental property (continued)

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. All of the foundation's capital assets are, or planned to be, leased to the College.

10. 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.

11. 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.

12. 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, 2022 and 2021.

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.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

12. Contributions and donor-imposed restrictions (continued)

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.

13. 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 in-kind contributions in the accompanying statements (see Note G). 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.

14. Display of net assets by class

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein, are classified and reported as follows:

i. Net assets without donor restrictions

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

ii. 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.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

15. 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. All other expenses are identified as benefiting a specific program or function and are classified accordingly.

16. Summary of programs and services

The following program and supporting services are included in the accompanying financial statements:

Program services - Scholarship and academic support programs are utilized by the Foundation to provide support and scholarships for students attending Valencia.

General and Administration - Administers the functions necessary for operating the program and mission not directly charged to programs, ensure adequate working environments for the programs, manage the financial responsibilities, and provide coordination and articulation of mission and core values.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

17. Income taxes

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

The Foundation identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the 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.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

18. 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 C), which approximates fair value. The Foundation's Level 1 financial instruments consist of investments as identified in Note B and are valued based on quoted market prices.

The Foundations' Level 3 financial instruments consist of:

Florida Prepaid Scholarships of \$6,031,842 and \$5,925,378 as of March 31, 2022 and 2021, respectively.

Trust liability of \$52,931 and \$54,375 as of March 31, 2022 and 2021, respectively, which are valued using the present value of estimated future payments using a discount rate and mortality tables.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

18. Fair Value of financial instruments (continued)

The Foundation has no Level 2 financial instruments.

i. 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 years ended March 31, 2022 and 2021, there were no material transfers in or out of Level 3.

ii. 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	
Disbursement	<u>(154,011)</u>	<u>(3,039)</u>
Balance March 31, 2021	5,925,378	54,375
Purchases (including State of Florida match)	249,754	-
Unrealized gain	80,244	-
Disbursement	<u>(223,534)</u>	<u>(1,444)</u>
Balance March 31, 2022	<u>\$ 6,031,842</u>	<u>\$ 52,931</u>

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

18. Fair Value of financial instruments (continued)

iii. 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 (Note B):

- a. *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.
- b. *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 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.
- c. *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.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

19. Recently issued accounting pronouncements

i. Leases

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 (*Leases (Topic 842)*), which requires an entity to recognize a liability and corresponding asset for leases that meet certain criteria. With respect to nonpublic entities, this update is effective for fiscal years beginning after December 15, 2021. The effect of this guidance on the financial statements of the Foundation has not been determined.

ii. 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. The Foundation is currently evaluating the effect the update will have on its financial statements.

iii. Credit Losses

In June 2016, the FASB issued ASU 2013-13, *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 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 State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE B - INVESTMENTS

The fair value of investments consists of the following at March 31:

	2022	2021
Level 1 investments:		
Fixed-income mutual funds	\$ 24,116,732	\$ 21,281,985
Domestic equity mutual funds	39,868,244	38,124,300
International mutual funds	19,166,994	19,571,852
Total Level 1	83,151,970	78,978,137
Investments at NAV:		
SEI Energy Debt Fund, LP	3,273,938	2,694,043
SEI Structured Credit Fund, LP	3,396,318	4,616,165
SEI Structured Core Property, LP	5,793,960	2,997,964
Total NAV	12,464,216	10,308,172
Total investments	\$ 95,616,186	\$ 89,286,309

Fiduciary fees related to the investments for the years ended March 31, 2022 and 2021 were \$370,403 and \$336,282, respectively, and are netted against interest and dividend income without donor restrictions in the accompanying statements of activities.

NOTE C - PLEDGES RECEIVABLE, NET

Pledges receivable, net, at March 31, consist of unconditional promises to give and are due as follows:

	2022	2021
Less than 1 year	\$ 1,190,000	\$ 500,000
1 - 5 years	215,000	500,000
	1,405,000	1,000,000
Less:		
Unamortized discount (3.4%)	(2,549)	(16,441)
Net pledges receivable	\$ 1,402,451	\$ 983,559

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE D - FLORIDA PREPAID TUITION SCHOLARSHIPS

During the years ended March 31, 2022 and 2021, \$331,133 and \$154,011, respectively of scholarship expense was recorded. During the years ended March 31, 2022 and 2021, the State of Florida matched \$107,598 and \$99,008, 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, 2022 and 2021, the Foundation experienced an unrealized gain on Florida prepaid tuition scholarships of \$80,245 and \$506,636, respectively.

Florida prepaid tuition scholarships consist of the following at March 31:

	2022	2021
Scholarships purchased or contributed	\$ 3,606,607	\$ 3,607,741
Funds held by Florida Prepaid College Foundation, Inc. for reinvestment	2,425,235	2,317,637
	\$ 6,031,842	\$ 5,925,378

NOTE E - RENTAL PROPERTY, FURNITURE AND EQUIPMENT, NET

Rental property, furniture and equipment, net, consists of the following:

	2022	2021
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
Furniture and equipment	-	74,391
Less accumulated depreciation	(1,226,886)	(1,111,362)
Rental property, furniture and equipment, net	\$ 7,991,608	\$ 8,181,523

Depreciation expense related to rental property was \$153,362 for both years ended March 31, 2022 and 2021. During the year ended March 31, 2022, the Foundation disposed of \$74,391 of furniture and equipment and the associated accumulated depreciation of \$37,837. For the year ended March 31, 2022 there was no depreciation expense related to furniture and equipment. For the year ended March 31, 2021 depreciation expense related to furniture and equipment was \$7,367.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE F - RELATED-PARTY TRANSACTIONS

1. Lease agreements

The Foundation leases its Park Center rental property (see Note E) at arm's length to the College. 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. The College can terminate the lease upon 24 months notice and payments under the lease are contingent upon the College receiving annual appropriation by the Florida State Legislature. Rent payments received from Valencia were \$456,462 for each of the years ended March 31, 2022 and 2021 and are included in rent revenue on the accompanying statements of activities. The Foundation utilizes the office equipment and other such capital assets provided by the College.

2. Accounts payable and college support

Included in accounts payable are amounts owed to Valencia for reimbursement of certain operating expenses, at March 31, as follows:

	2022	2021
Salaries and benefits	\$ 73,512	\$ 63,922
Academic support	1,192,145	274,583
	<u>\$ 1,265,657</u>	<u>\$ 338,505</u>

Total expenses paid to Valencia for college support for the years ended March 31, 2022 and 2021 amounted to \$4,001,925 and \$5,754,013, respectively, and are included as program expenses in scholarships, academic program support, and teaching chairs on the accompanying statements of functional expenses.

3. 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 for the years ended March 31, 2022 and 2021:

	2022	2021
Salaries and benefits	\$ 597,646	\$ 640,601
Various general and administrative expenses	1,051	1,098
	<u>\$ 598,697</u>	<u>\$ 641,699</u>

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE G - 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, 2022 and 2021 totaled \$108,034 and \$117,069, 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.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for future periods or the following purposes, as follows at March 31:

	2022	2021
Scholarships	\$ 31,505,509	\$ 25,055,849
Academic program support	19,015,350	17,503,938
Teaching chairs	4,822,207	4,470,889
Future periods and other	4,330,180	4,249,997
Total subject to expenditure for specified purpose or future periods	59,673,246	51,280,673
Endowment fund restricted in perpetuity	35,402,250	39,489,309
Total	<u>\$ 95,075,496</u>	<u>\$ 90,769,982</u>

Net assets released from restrictions to support programs are as follows at March 31:

	2022	2021
Scholarships	\$ 2,432,863	\$ 2,598,581
Academic program support	906,479	2,442,177
Teaching chairs	75,527	25,128
Other	72,813	-
Total	<u>\$ 3,487,682</u>	<u>\$ 5,065,886</u>

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS (continued)

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, 2022 and 2021, this fee was 1.5%. Total administrative fees released from restriction were \$1,455,746 and \$1,254,935 for the years ended March 31, 2022 and 2021, respectively, and are included in net assets released from restrictions for administrative support on the accompanying statements of activities.

NOTE I - 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 the 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.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE I - ENDOWMENT FUNDS (continued)

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 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 consists of following at March 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 90,424,198	\$ 90,424,198
Board-designated endowment fund	1,162,795	-	1,162,795
	<u>\$ 1,162,795</u>	<u>\$ 90,424,198</u>	<u>\$ 91,586,993</u>
	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
	<u>\$ 1,457,660</u>	<u>\$ 87,247,361</u>	<u>\$ 88,705,021</u>

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE I - ENDOWMENT FUNDS (continued)

Changes in the endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net asset, March 31, 2020	\$ 1,009,042	\$ 65,026,888	\$ 66,035,930
Contributions	-	333,565	333,565
Net realized and unrealized losses	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	<u>(50,304)</u>	<u>-</u>	<u>(50,304)</u>
Endowment net asset, March 31, 2021	1,457,660	87,247,361	88,705,021
Contributions	-	198,244	198,244
Net realized and unrealized gains	(60,430)	(2,965,433)	(3,025,863)
Interest and dividends, net	177,815	8,723,606	8,901,421
Management fee	(363,088)	-	(363,088)
Earnings appropriated for expenditure	-	(2,779,580)	(2,779,580)
Distributions	<u>(49,162)</u>	<u>-</u>	<u>(49,162)</u>
Endowment net assets, March 31, 2022	<u>\$ 1,162,795</u>	<u>\$ 90,424,198</u>	<u>\$ 91,586,993</u>

NOTE J - COMMITMENTS AND CONTINGENCIES

1. Legal

The Foundation is not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed. In the normal course of operations, the Foundation may be party to various pending or threatened legal actions. As of the date of this report, management is not aware of any such instances that have a material impact on the Organization.

2. Concentration 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, 2022, insurance coverage amounted to \$250,000 per depositor at each financial institution. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Valencia State College Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended March 31, 2022 and 2021

NOTE J - COMMITMENTS AND CONTINGENCIES (continued)

2. Concentration of credit risk (continued)

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.

NOTE K - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 17, 2022, the date which the financial statements became available for issue and has determined that no material events occurred that would require disclosure, except for those listed below.

On June 15, 2022, the Foundation sold the district office building to the College for \$6,837,666.

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

To the Board of Directors
Valencia College Foundation, Inc.
Orlando, 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 Valencia College Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022, 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 17, 2022.

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.

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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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.

August 17, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Valencia State College Foundation, Inc.

CERTIFICATION OF PRIVATE CONTRIBUTIONS FOR FIRST GENERATION MATCHING GRANT PROGRAM

For the year ended March 31, 2022

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 March 31, 2022 and have not been matched from previous state appropriations.

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

March 31, 2022

Use:

FGMG scholarship matching (100%) \$43,545

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."

Management 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 17, 2022 and have not been matched from previous state appropriations.

Name: Katherine Sue Fagan

Title: Senior Director Accounting Foundation

Date: 8-17-22

Signature: Katherine Sue Fagan