

**Pensacola State College
Foundation, Inc.**

FINANCIAL STATEMENTS

December 31, 2015 and 2014



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Pensacola State College Foundation, Inc.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Pensacola State College Foundation, Inc. (a nonprofit organization) (a component unit of Pensacola State College), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pensacola State College Foundation, Inc. as of December 31, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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. 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016 on our consideration of Pensacola State College Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in the Foundation's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 15, 2016



Management's Discussion and Analysis

Pensacola State College Foundation, Inc. Management's Discussion and Analysis

The following discussion and analysis of Pensacola State College Foundation, Inc.'s ("Foundation") financial statements provides an overview of the Foundation's financial activities for the year ended December 31, 2015, with comparative information for the year ended December 31, 2014. This report includes a presentation of the financial statements prepared in accordance with Governmental Accounting Standards Board principles as this is the presentation used in the Pensacola State College ("College") Annual Financial Report. The Statement of Net Position and the Statement of Activities 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 Pensacola State College 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 Pensacola State College and its objectives. The Foundation is a direct support organization of the College.

FINANCIAL HIGHLIGHTS

During the year ended December 31, 2015, the Foundation's net position increased 0.24%. The State of Florida once again deferred funding the Dr. Philip Benjamin Matching Program for the State's FY 2015. Therefore, no state match revenue was received during fiscal year December 31, 2015. The State of Florida has also deferred funding the Dr. Philip Benjamin Matching Program for the State's FY 2016.

The Foundation's investments showed a return (net of fees) of approximately (0.69)% from January 1, 2015 to December 31, 2015. As of December 31, 2015, the Foundation's investments' total return (net of fees) was 6.35% since 4/1/02. 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.

The Statement of Net Position and the Statement of Activities 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 plus deferred outflows of resources and liabilities plus deferred inflows of

Pensacola State College Foundation, Inc. Management's Discussion and Analysis

resources, 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 current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Foundation's 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.
- 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. Earnings on endowment funds are included in expendable funds for expenditure.

THE STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources 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 non-current), liabilities (current and non-current), and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

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 (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) and the availability of resources for expenditure by the Foundation.

Net position is divided into two major categories. The first category is unrestricted net position. Unrestricted net position is resources available for any lawful purpose of the Foundation and College. The second category is restricted net position, which is divided into two categories, non-expendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the Foundation, but must

Pensacola State College Foundation, Inc. Management's Discussion and Analysis

be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the resources.

Net position for the Foundation increased during the year ended December 31, 2015. This is primarily a result of investment income and contributions. When reviewing net position by component, unrestricted and nonexpendable restricted increased, whereas expendable restricted decreased. The increase in unrestricted and restricted non-expendable net position was attributed to additional contributions, as previously noted. The decrease in restricted expendable was attributed to a decrease in contributions, since there were significant contributions to the Visual Arts Building received in FY 2014.

The assets, liabilities, and net position of the Foundation as of December 31, 2015 and December 31, 2014 are summarized in the following table:

<i>December 31,</i>	2015	2014	Change
Assets			
Current and other assets	\$ 12,177,415	\$ 12,725,585	\$ (548,170)
Noncurrent investments and other	10,150,574	9,501,090	649,484
Total assets	\$ 22,327,989	\$ 22,226,675	\$ 101,314
Liabilities			
Current liabilities	\$ 99,757	\$ 18,096	\$ 81,661
Other liabilities	173,376	207,386	(34,010)
Total liabilities	273,133	225,482	47,651
Net position			
Unrestricted	803,982	753,171	50,811
Restricted			
Permanent endowments - nonexpendable	9,735,251	9,012,476	722,775
Restricted by donor - expendable	11,515,623	12,235,546	(719,923)
Total net position	22,054,856	22,001,193	53,663
Total liabilities and net position	\$ 22,327,989	\$ 22,226,675	\$ 101,314
Increase in net position	\$ 53,663	0.24%	

Pensacola State College Foundation, Inc. Management's Discussion and Analysis

THE STATEMENT OF ACTIVITIES

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

Revenues and expenses are categorized as operating or non-operating. Operating revenues and expenses represent ongoing activities which are 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. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions.

Revenues and expenses of the Foundation for the years ended December 31, 2015 and December 31, 2014 are presented in the following table:

<i>Year ended December 31,</i>	2015	2014	Change
Operating revenues	\$ 1,467,529	\$ 2,895,568	\$ (1,428,039)
Operating expenses	1,883,014	1,965,254	(82,240)
Net operating revenues (expenses)	(415,485)	930,314	(1,345,799)
Nonoperating revenues (expenses)	(69,873)	1,309,944	(1,379,817)
Other changes in net position	539,021	254,487	284,534
Change in net position	53,663	2,494,745	(2,441,082)
Net position, beginning of year	22,001,193	19,506,448	2,494,745
Net position, end of year	\$ 22,054,856	\$ 22,001,193	\$ 53,663

The statement of activities for the 2015 fiscal year shows an increase in net position of \$53,663 for the Foundation.

Pensacola State College Foundation, Inc. Management's Discussion and Analysis

The Foundation continued to receive private donations as well as earning income on investments for the 2015 fiscal year. Operating expenses of the Foundation for the 2015 and 2014 years are presented in the following table:

<i>Year ended December 31,</i>	2015	2014	Change
Program services	\$ 1,153,498	\$ 1,324,654	\$ (171,156)
Management and general	348,564	302,780	45,784
Fundraising services	380,952	337,820	43,132
Total operating expenses	\$ 1,883,014	\$ 1,965,254	\$ (82,240)

Program Services represent direct expenditures for the College Departments. These expenditures for the year ended December 31, 2015 consisted primarily of scholarships, professional development, equipment, and supplies for the College departments.


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 non-capital financing activities.

- Operating activities include funds received (i.e. from private donors) and payments (i.e. 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 and the associated investment earnings.
- Non-capital and related financing activities include funds received for permanent endowments and other related activities.

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 loss as shown on the Statement of Activities is related to the net cash generated or consumed by operations. The difference between operating loss and net cash provided by 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 loss may be more or less than net cash provided by operating activities.



Pensacola State College Foundation, Inc. Management's Discussion and Analysis

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 FY 2016 requests. The State of Florida deferred funding for the State's FY 2016 Dr. Philip Benjamin Matching Program, yet anticipates an allocation from the FY 2016 First Generation Scholarship Matching Grant for the Florida College system. The Foundation is not aware of other current known facts, decisions, or conditions that are expected to have a significant effect on the overall financial position or results of operations during the 2016 fiscal year. The Foundation's overall financial position can be affected by world events, State of Florida legislative changes, and market fluctuations to name a few.

Pensacola State College Foundation, Inc.
Statements of Net Position

<i>December 31,</i>	2015	2014
Assets		
Current assets:		
Cash	\$ 2,724,226	\$ 2,432,944
Investments	9,347,003	9,947,764
Promises to give, net	74,639	272,410
Other receivables	2,024	43,462
Prepaid expenses	29,523	29,005
Total current assets	12,177,415	12,725,585
Noncurrent assets:		
Investments	9,639,259	8,909,148
Promises to give, net	184,803	251,427
Assets held under split-interest agreements	286,771	295,494
Cash surrender value of life insurance	39,741	45,021
Total assets	22,327,989	22,226,675
Liabilities		
Current liabilities:		
Accounts payable	40,425	18,096
Unearned revenues	59,332	-
Total current liabilities	99,757	18,096
Noncurrent liabilities:		
Liability under split-interest agreement	87,009	94,479
Line of credit	86,367	112,907
Total liabilities	273,133	225,482
Net position		
Unrestricted	803,982	753,171
Restricted		
Permanent endowments - nonexpendable	9,735,251	9,012,476
Restricted by donor - expendable	11,515,623	12,235,546
Total net position	\$ 22,054,856	\$ 22,001,193

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

Pensacola State College Foundation, Inc.
Statements of Activities

<i>Years ended December 31,</i>	2015	2014
Operating revenues		
Contributions	\$ 540,692	\$ 1,885,062
In-kind contributions	683,868	735,811
Other operating revenues	242,969	274,695
Total operating revenues	1,467,529	2,895,568
Operating expenses		
Program services	1,153,498	1,324,654
Management and general	348,564	302,780
Fundraising services	380,952	337,820
Total operating expenses	1,883,014	1,965,254
Operating income (loss)	(415,485)	930,314
Nonoperating revenues		
Interest and dividend income	417,243	432,568
Investment return	(487,116)	877,376
Net nonoperating revenues	(69,873)	1,309,944
Net income (loss) before other changes in net position	(485,358)	2,240,258
Other changes in net position		
Endowed contributions	539,021	254,487
Change in net position	53,663	2,494,745
Net position, beginning of year	22,001,193	19,506,448
Net position, end of year	\$ 22,054,856	\$ 22,001,193

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

Pensacola State College Foundation, Inc.
Statements of Cash Flows

<i>Years ended December 31,</i>	2015	2014
Operating activities		
Cash receipts from contributions	\$ 864,419	\$ 1,742,945
Cash receipts from other operating revenue	284,407	175,895
Cash paid for operating expenses	(1,172,055)	(1,246,519)
Net cash provided (used) by operating activities	(23,229)	672,321
Investing activities		
Purchase of investment securities	(4,929,879)	(4,368,279)
Proceeds from sale of investment securities	4,314,666	4,164,640
Interest and dividends received	417,243	432,568
Net cash provided (used) by investing activities	(197,970)	228,929
Noncapital financing activities		
Payments on line of credit	(26,540)	(28,403)
Endowment contributions	539,021	254,487
Net cash provided by noncapital financing activities	512,481	226,084
Net increase in cash	291,282	1,127,334
Cash, beginning of year	2,432,944	1,305,610
Cash, end of year	\$ 2,724,226	\$ 2,432,944
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (415,485)	\$ 930,314
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Allowance for promises to give	(5,370)	2,901
(Increase) decrease in:		
Promises to give	269,765	(145,018)
Other receivables	41,438	(42,380)
Prepaid expenses	(518)	146
Cash surrender value of life insurance	5,280	4,525
Increase (decrease) in:		
Accounts payable	22,329	(21,747)
Deferred income	59,332	(56,420)
Net cash provided (used) by operating activities	\$ (23,229)	\$ 672,321

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

Pensacola State College Foundation, Inc.

Notes to Financial Statements

NOTE A: ORGANIZATION AND OPERATIONS

1. 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.

2. 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.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. 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. 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.
Notes to Financial Statements

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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.

3. Investments

The Foundation records investments at quoted market values at year-end. 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 non-expendable endowments, 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 statutes 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 the Act, subject to terms set forth in a gift agreement.

For the years ended December 31, 2015 and 2014, the Foundation endowment spending rule provided for annual distributions not to exceed 5% of the average three-year balance of the December 31 value of the portfolio. For the years ended December 31, 2015 and 2014, the Foundation's endowments provided 2.20% and 2.31%, respectively, of the average three-year market value.

4. 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 as disclosed in Note E.

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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. Assets with a useful life of two or more years and costing \$5,000 or more are capitalized and depreciated in sufficient amounts to allocate the cost to operations 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 their useful life. Estimated lives used in determining amortization for leasehold improvements are 10 years. All existing capital assets are fully depreciated.

6. 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. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions.

7. 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.

8. 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 actual salary amounts paid by the College.

9. 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.

10. 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.

Pensacola State College Foundation, Inc. Notes to Financial Statements

NOTE C: CONCENTRATION OF RISK

The Foundation's services are funded by contributions from individuals and businesses in the Northwest Florida area 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.

NOTE D: 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 Foundation's Investment Policy. Investments held by the Foundation at December 31, 2015 and 2014 are reported at fair value. These investments are held by Synovus Trust Company, N.A., of Columbus, Georgia, by its sub-custodian, The Bank of New York Mellon. The fixed income mutual funds are not rated by a nationally recognized statistical rating organization; however, Synovus Trust Company prepared average credit quality calculations based on the underlying investments in the 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. Therefore, the policy targeting a range of 45% to 75% in equities is used as a guide, with the initial target set at 60%; and a range of 25% to 55% in bonds with an initial target of 40%. No more than 20% of Foundation assets may be invested in international equities, and a range of 5% to 25% of Foundation assets is established in small capitalization equities. No more than 5% of Foundation assets may be invested in a diversified portfolio of non-investment grade bonds.

The investments at December 31, 2015 and 2014 meet the investment policy guidelines. At December 31, 2015, equities represented 66.5% and fixed income securities represented 33.5% of the portfolio, which consisted primarily of bonds. At December 31, 2014, equities represented 63.8% and fixed income securities represented 36.2% of the portfolio, which consisted primarily of bonds.

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.

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE D: CASH AND INVESTMENTS (Continued)

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. Investments of the Foundation are held by Synovus Trust Company, N.A., of Columbus, Georgia, at its sub-custodian, The Bank of New York Mellon. At December 31, 2015, cash equivalents consisted of \$456,686 held in the Federated Municipal Obligations Capital money market 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 or any other government agency.

The Association has placed some of its cash can cash equivalents with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit.

Interest Rate Risk

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

For December 31, 2015 and 2014, respectively, the average effective maturity and average effective duration of the Foundation's fixed income investments are as follows:

December 31, 2015		
Investment Type	Avg Eff Maturity (yrs)	Avg Eff Duration (yrs)
Dodge & Cox Income Fund	7.72	4.34
Vanguard Fixed Income Securities Inflation Protected Services	8.50	7.88
Vanguard Short-Term Investment - Grade Fund	3.20	2.61
Vanguard Intermediate - Term Bond Index Fund	6.46	7.20
December 31, 2014		
Investment Type	Avg Eff Maturity (yrs)	Avg Eff Duration (yrs)
Dodge & Cox Income Fund	6.82	4.20
Goldman Sachs Strategic Income Fund	7.51	-1.99
PIMCO All Asset Fund	n/a	2.77
Vanguard Fixed Income Securities Inflation Protected Services	8.60	7.92
Vanguard Short-Term Investment - Grade Fund	3.10	2.39
Vanguard Intermediate - Term Bond Index Fund	7.30	6.51

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE D: CASH AND INVESTMENTS (Continued)

The following tables present the fair value, maturities and average credit quality information of investments as of December 31, 2015 and 2014:

December 31, 2015		
Investment Type	Maturity	Fair Market Value
<u>Federal Agency Obligations</u>		
Government National Mortgage Association II Modified Pass Thru Pool #26442	9/20/2028	\$ 556
<u>Fixed Income Mutual Funds</u>		
Dodge & Cox Income Fund	Avg maturity 7.72 years Avg quality BBB	1,644,724
Vanguard Fixed Income Securities Inflation Protected Services	Avg maturity 8.50 years Avg quality AAA	1,358,445
Vanguard Short-Term Investment - Grade Fund	Avg maturity 3.20 years Avg quality BBB	996,864
Vanguard Intermediate - Term Bond Index Fund	Avg maturity 6.46 years Avg quality A	2,362,785
<u>Equity Mutual Funds</u>		
Oppenheimer Developing Markets Fund		202,580
Natixis Asg Global Alternative Fund		622,861
Vanguard Developed Market Index Fund		1,285,608
Vanguard 500 Index Fund		5,015,598
Vanguard Dividend Growth Fund		1,590,973
Vanguard Mid Cap Index Fund		2,071,565
Vanguard Small Cap Index Fund		1,833,703
Total investments		\$ 18,986,262

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE D: CASH AND INVESTMENTS (Continued)

December 31, 2014		
Investment Type	Maturity	Fair Market Value
<u>Federal Agency Obligations</u>		
Government National Mortgage Association II Modified Pass Thru Pool #26442	9/20/2028	\$ 676
<u>Fixed Income Mutual Funds</u>		
Dodge & Cox Income Fund	Avg maturity 6.82 years Avg quality A	1,785,461
Goldman Sachs Strategic Income Fund	Avg maturity 7.51 years Avg quality A-	294,764
PIMCO All Asset Fund	Avg maturity n/a Avg quality BBB+	756,160
Vanguard Fixed Income Securities Inflation Protected Services	Avg maturity 8.6 years Avg quality AAA	1,308,536
Vanguard Short-Term Investment - Grade Fund	Avg maturity 3.1 years Avg quality BBB	905,564
Vanguard Intermediate - Term Bond Index Fund	Avg maturity 7.3 years Avg quality A	1,780,106
<u>Equity Mutual Funds</u>		
Oppenheimer Developing Markets Fund		277,723
Vanguard Developed Market Index Fund		1,130,578
Vanguard 500 Index Fund		5,619,659
Vanguard Dividend Growth Fund		1,880,097
Vanguard Small Cap Index Fund		3,117,588
Total investments		\$ 18,856,912

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE E: PROMISES TO GIVE

Unconditional promises to give at year-end consist of the following:

<i>December 31,</i>	2015	2014
Total pledges	\$ 272,253	\$ 547,168
Less present value discount	(7,489)	(12,640)
	264,764	534,528
Less allowance for uncollectible pledges	(5,322)	(10,691)
Total pledges receivable, net	\$ 259,442	\$ 523,837
	2015	2014
Amounts due in:		
Less than one year	\$ 74,639	\$ 272,410
One to five years	184,803	251,427
Total pledges receivable, net	\$ 259,442	\$ 523,837

Promises to give were discounted using a risk free interest rate of 2% in 2015 and 2014.

NOTE F: 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. As of December 31, 2015 and 2014, the life insurance policy had a cash surrender value of \$39,741 and \$45,021, respectively. The Charitable Remainder Educational Trust Assets are recorded at fair market value and the related liabilities to make future payments under this trust are recorded at present value. At December 31, 2015 and 2014, the Educational Trust assets had an estimated value of \$190,780 and \$192,166, respectively, and the liability was valued at \$87,009 and \$94,479, 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 market value of the trust for 20 years (through 2023) 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.

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE F: SPLIT-INTEREST AGREEMENTS (Continued)

The Foundation is and has been the sole recipient of annual gifts from the J.D. Carroll Irrevocable Trust since 1966. At December 31, 2015 and 2014 the trust was valued at \$95,991 and \$103,328, respectively and reported as a split-interest agreement as a part of permanent endowments-nonexpendable net position.

NOTE G: NET POSITION

Net position is divided into two major categories, unrestricted and restricted. Unrestricted net position are those resources available for any lawful purpose of the Foundation and College. The Board of Governors has designated \$60,000 of the Foundation's cumulative earnings for future contingencies.

Restricted net position includes resources which are classified as *Restricted by donor-expendable* or *Permanent Endowments-nonexpendable*. *Restricted by donor-expendable* net position are those resources available for expenditure by the Foundation, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of those resources. The corpus of *Permanent Endowments-nonexpendable* resources is only available for investment purposes.

Restricted net position at year-end was comprised of the following:

December 31, 2015		
Restricted net position	Expendable	Non-expendable
Dr. Philip Benjamin Academic Improvement Trust	\$ 1,992,369	\$ 1,665,611
Florida Health Care Grant	283,258	121,337
Florida Scholarship Matching Program	3,571,954	5,585,179
Assets Held under Split-Interest Agreements	190,780	95,991
Florida Blue Scholarship Program	45,846	-
Florida Scholarship Matching Program to be Matched	561,444	1,988,074
Dr. Philip Benjamin Academic Improvement Trust to be Matched	469,739	5,132
Anna Lamar Switzer Center for Visual Arts	901,101	-
Promises to Give	251,202	-
Other - available for use after December 31, 2015	3,247,930	273,927
Total restricted net position	\$ 11,515,623	\$ 9,735,251

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE G: NET POSITION (Continued)

December 31, 2014			
Restricted net position	Expendable	Non-expendable	
Dr. Philip Benjamin Academic Improvement Trust	\$ 2,143,871	\$ 1,665,611	
Florida Health Care Grant	287,401	121,337	
Florida Scholarship Matching Program	3,748,924	5,585,179	
Assets Held under Split-Interest Agreements	192,166	103,328	
Florida Blue Scholarship Program	33,631	-	
Florida Scholarship Matching Program to be Matched	589,656	1,494,781	
Dr. Philip Benjamin Academic Improvement Trust to be Matched	433,432	4,382	
Anna Lamar Switzer Center for Visual Arts	799,819	-	
Promises to Give	510,628	-	
Other - available for use after December 31, 2014	3,496,018	37,858	
Total restricted net position	\$ 12,235,546	\$ 9,012,476	

NOTE H: CHANGES IN ENDOWMENT NET POSITION

The following table includes the reconciliation of the beginning and ending balances of the Foundation's endowments by net position and in total:

December 31, 2015			
	Expendable	Non-expendable	Total
Endowment net position, beginning of year	\$ 6,056,872	\$ 9,012,476	\$ 15,069,348
Interest and dividends	295,394	-	295,394
Net appreciation (realized and unrealized)	(355,153)	(7,337)	(362,490)
New gifts	-	539,021	539,021
Appropriation of endowment assets for expenditure	(104,231)	191,091	86,860
Endowment net position, end of year	\$ 5,892,882	\$ 9,735,251	\$ 15,628,133

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE H: CHANGES IN ENDOWMENT NET POSITION (Continued)

	December 31, 2014		
	Expendable	Non-expendable	Total
Endowment net position, beginning of year	\$ 5,015,855	\$ 8,756,474	\$ 13,772,329
Interest and dividends	153,001	-	153,001
Net appreciation (realized and unrealized)	1,058,645	1,515	1,060,160
New gifts	150,000	254,487	404,487
Appropriation of endowment assets for expenditure	(320,629)	-	(320,629)
Other changes			
Change in endowment net position	-	-	-
Endowment net position, end of year	\$ 6,056,872	\$ 9,012,476	\$ 15,069,348

NOTE I: FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally Accepted Accounting Principles (GAAP) defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurement. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an “exit” price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date. The Foundation determines the fair value of financial instruments based on the fair value hierarchy described in GAAP which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes the following three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3 Unobservable inputs that are supported by little or no market activity.

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE I: FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts of cash equivalents, pledges receivable, other receivables, and accounts payable, approximate fair value because of the short maturity of these instruments. The fair value of the investments is based on quoted market prices. Assets measured at fair value on a recurring basis as of December 31, 2015 and 2014 are summarized as follows:

December 31, 2015				
Investment Type	Level 1	Level 2	Level 3	
Dodge & Cox Income Fund	\$ 1,644,724	\$ -	\$ -	-
Miscellaneous obligations	-	556	-	-
Natixis Asg Global Alternative Fund	622,861	-	-	-
Oppenheimer Developing Markets Fund	202,580	-	-	-
Vanguard 500 Index Fund	5,015,598	-	-	-
Vanguard Developed Markets	1,285,608	-	-	-
Vanguard Dividend Growth Fund	1,590,973	-	-	-
Vanguard Inflation Protected Securities	1,358,445	-	-	-
Vanguard Intermediate - Term Bond Index Fund	2,362,785	-	-	-
Vanguard Mid Cap Index Fund	2,071,565	-	-	-
Vanguard Short-Term Investment - Grade Fund	996,864	-	-	-
Vanguard Small Cap Stock Index Fund	1,833,703	-	-	-
	\$ 18,985,706	\$ 556	\$ -	-

December 31, 2014				
Investment Type	Level 1	Level 2	Level 3	
Dodge & Cox Income Fund	\$ 1,785,461	\$ -	\$ -	-
Goldman Sachs Strategic Income Fund	294,764	-	-	-
Miscellaneous obligations	-	676	-	-
Oppenheimer Developing Markets Fund	277,723	-	-	-
PIMCO All Asset Fund	756,160	-	-	-
Vanguard 500 Index Fund	5,619,659	-	-	-
Vanguard Developed Markets	1,130,578	-	-	-
Vanguard Dividend Growth Fund	1,880,097	-	-	-
Vanguard Inflation Protected Securities	1,308,536	-	-	-
Vanguard Intermediate - Term Bond Index Fund	1,780,106	-	-	-
Vanguard Short-Term Investment - Grade Fund	905,564	-	-	-
Vanguard Small Cap Stock Index Fund	3,117,588	-	-	-
	\$ 18,856,236	\$ 676	\$ -	-

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE J: INVESTMENT INCOME

<i>Years Ended December 31,</i>	2015	2014
Interest and dividends earned on endowment investments	\$ 299,293	\$ 279,376
Interest and dividends earned on cash and non-endowment investments	117,950	153,192
Total	\$ 417,243	\$ 432,568

NOTE K: NOTE PAYABLE

During the fiscal year 2012, the Foundation entered into a line of credit agreement with a financial institution. This line of credit carries a maximum possible balance of \$330,000 and expires September 2, 2018. The loan's fixed interest rate is 1.98%. This loan is unsecured with a covenant to maintain sufficient unrestricted liquidity within the Foundation to retire the debt at any time. The loan balance at December 31, 2015 and 2014 was \$86,367 and \$112,907, respectively.

NOTE L: RELATED PARTY TRANSACTIONS

The Foundation leases the College Centre Apartments from Pensacola State College for use as classrooms and dormitories. The lease is classified as an operating lease and has an option for annual renewals through 2016. The lease was renewed for an additional year. The annual rental rate is renegotiated at each renewal. The rental payment for 2015 was \$44,564. The future minimum rental payment for fiscal year 2016 is \$44,568.

The Foundation leases land and buildings, one triplex and one duplex from Pensacola State College, and leases these residential apartments to the general public. The lease is classified as an operating lease and has an option for annual renewals through 2024. The annual rental rate is \$1 per year. The rental payment for 2015 and 2014 was \$1. Future minimum payments for the next five fiscal years, assuming annual renewals, are \$1 dollar for each year, through 2023. No estimate of the fair value of these leases had been calculated.

Total contributions from members of the Board of Governors, their spouses and their businesses totaled \$274,068 during 2014. The pledges receivable balances at December 31, 2015 and 2014 include approximately \$5,500 and \$7,900, respectively, in pledges from members of the Board of Governors and senior Foundation management.

Pensacola State College Foundation, Inc.
Notes to Financial Statements

NOTE L: RELATED PARTY TRANSACTIONS (Continued)

Pensacola State 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 for the periods ending December 31, 2015 and 2014, respectively, were as follows:

<i>Year Ended December 31,</i>	2015	2014
Supplies and office expenses	\$ 17,622	\$ 35,612
Office facilities	26,310	26,310
Management and clerical staff	537,264	533,420
Total	\$ 581,196	\$ 595,342



Supplementary Information

Pensacola State College Foundation, Inc.
Dr. Phillip Benjamin Matching Grant Programs
Schedule of Revenues, Expenses, and Changes in Net Position

<i>Year ended December 31,</i>	2015				2014
	Health Care Grant	Scholarship Matching Program	Academic Improvement	Total	Total (For Comparative Purposes)
Operating revenues					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Match revenues	-	-	-	-	-
Total operating revenues	-	-	-	-	-
Operating expenses					
Program services	391	142,491	134,065	276,947	345,668
Total operating expenses	391	142,491	134,065	276,947	345,668
Operating loss	(391)	(142,491)	(134,065)	(276,947)	(345,668)
Nonoperating revenues					
Interest and dividend income	640	231,484	43,033	275,157	278,148
Investment return	(4,392)	(265,963)	(60,470)	(330,825)	587,845
Net nonoperating revenues	(3,752)	(34,479)	(17,437)	(55,668)	865,993
Change in net position	(4,143)	(176,970)	(151,502)	(332,615)	520,325
Net position, beginning of year	408,738	9,334,103	3,809,482	13,552,323	13,031,998
Net position, end of year	\$ 404,595	\$ 9,157,133	\$ 3,657,980	\$ 13,219,708	\$ 13,552,323

Pensacola State College Foundation, Inc.
Florida Community College Scholarship Programs
Schedule of Revenues, Expenses, and Changes in Net Position

<i>Years ended December 31,</i>	2015	2014
Operating revenues		
Contributions - Blue Cross Blue Shield	\$ 16,821	\$ 12,491
Match revenues	13,758	12,491
Total operating revenues	30,579	24,982
Operating expenses		
Program services	25,301	18,212
Total operating expenses	25,301	18,212
Operating income (loss)	5,278	6,770
Other changes in net position		
Transfer from unrestricted	6,937	-
Change in net position	12,215	6,770
Net position, beginning of year	33,631	26,861
Net position, end of year	\$ 45,846	\$ 33,631



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

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. (a nonprofit organization), which comprise the statement of net position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pensacola State College Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pensacola State College Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pensacola State College Foundation, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

March 15, 2016