



# Saltmarsh

Saltmarsh, Cleaveland & Gund

*CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS*

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**

**A COMPONENT UNIT OF  
PENSACOLA STATE COLLEGE**

**PENSACOLA, FLORIDA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF PENSACOLA STATE COLLEGE**  
**PENSACOLA, FLORIDA**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Pensacola State College Foundation, Inc. ("the Foundation") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

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

*Other Information*

The Dr. Philip Benjamin Matching Grant Programs and Florida Community College Scholarship Programs Schedules of Revenues, Expenses, and Changes in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic 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 25, 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.



Pensacola, Florida  
March 25, 2022

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pensacola State College Foundation, Inc. (the "Foundation") (a component unit of Pensacola State College), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated March 25, 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.

Board of Governors  
Pensacola State College Foundation, Inc.

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

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida  
March 25, 2022

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF PENSACOLA STATE COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021 AND 2020**  
**(UNAUDITED)**

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

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

### **Financial Highlights**

During the year ended December 31, 2021, the Foundation's net position increased 20.8%, due primarily to earnings on investments in the stock market.

The Foundation's investments showed a return (net of fees) of 14.94% from January 1, 2021 to December 31, 2021. As of December 31, 2021, the Foundation's total return on investments (net of fees) was 7.58% since December 31, 2001. The account remains well-diversified and moderately invested, targeting a 60% equity and 40% fixed income mix.

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

### **Using This Report**

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



**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
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**Using This Report (Continued)**

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

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

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

- Unrestricted - Representing funds that are available without restriction for carrying out the Foundation's objectives.
- 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.

**The Statement of Net Position**

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

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**The Statement of Net Position (Continued)**

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

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

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

	2021	2020	Dollar Change	Percentage Change
<b>Assets:</b>				
Current assets	\$ 26,629,375	\$ 21,270,268	\$ 5,359,107	25.2%
Noncurrent assets	14,241,939	12,594,802	1,647,137	13.1%
<b>Total Assets</b>	<u>\$ 40,871,314</u>	<u>\$ 33,865,070</u>	<u>\$ 7,006,244</u>	20.7%
<b>Liabilities:</b>				
Current liabilities	\$ 144,193	\$ 128,266	\$ 15,927	12.4%
Noncurrent liabilities	158,185	144,240	13,945	9.7%
Total liabilities	<u>302,378</u>	<u>272,506</u>	<u>29,872</u>	11.0%
<b>Deferred Inflows of Resources:</b>				
Split-interest agreements	<u>219,184</u>	<u>198,076</u>	<u>21,108</u>	10.7%
<b>Net Position:</b>				
Unrestricted	1,848,095	1,271,877	576,218	45.3%
Restricted				
Expendable	24,035,289	19,539,221	4,496,068	23.0%
Nonexpendable	14,466,368	12,583,390	1,882,978	15.0%
Total net position	<u>40,349,752</u>	<u>33,394,488</u>	<u>6,955,264</u>	20.8%
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 40,871,314</u>	<u>\$ 33,865,070</u>	<u>\$ 7,006,244</u>	20.7%

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
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**The Statement of Net Position (Continued)**

Net position for the Foundation increased during the year ended December 31, 2021. This is primarily a result of earnings on investment activities. When reviewing net position by component, all categories of net position increased.

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

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

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

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 2,327,967	\$ 1,574,884	\$ 753,083	47.8%
Operating expenses	<u>2,019,015</u>	<u>2,085,470</u>	<u>(66,455)</u>	-3.2%
Operating income (loss)	<u>308,952</u>	<u>(510,586)</u>	<u>819,538</u>	-160.5%
Nonoperating revenues	4,918,300	3,920,059	998,241	25.5%
Other changes in net position	<u>1,728,012</u>	<u>520,248</u>	<u>1,207,764</u>	232.2%
Change in net position	6,955,264	3,929,721	3,025,543	77.0%
Net position, beginning of year	<u>33,394,488</u>	<u>29,464,767</u>	<u>3,929,721</u>	13.3%
Net position, end of year	<u><u>\$ 40,349,752</u></u>	<u><u>\$ 33,394,488</u></u>	<u><u>\$ 6,955,264</u></u>	20.8%

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
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**The Statement of Revenues, Expenses, and Changes in Net Position (Continued)**

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2021 shows an increase in net position of \$6,955,264 for the Foundation. The increase is attributable to the aforementioned market performance. Investment gains were \$4,232,033 in 2021 and \$3,360,880 in 2020. Excluding investment performance, operating revenues in 2021 increased 20% from 2020 due to increased contributions. Operating expenses in 2021 decreased 3% from 2020 due primarily to prior year one-time student relief expenses related to COVID-19. Other changes in net position increased 232.2% in 2021 due primarily to an increase in endowed contributions resulting from an endowment appeal conducted as part of the conclusion of the Foundation's comprehensive campaign.

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Program services	\$ 1,069,748	\$ 1,258,185	\$ (188,437)	-15.0%
Management and general	619,662	507,623	112,039	22.1%
Fundraising services	<u>329,605</u>	<u>319,662</u>	<u>9,943</u>	3.1%
Total operating expenses	<u>\$ 2,019,015</u>	<u>\$ 2,085,470</u>	<u>\$ (66,455)</u>	-3.2%

Program services represent direct expenditures for the College departments. These expenditures for the year ended December 31, 2021 consisted primarily of scholarships, building additions, professional services, equipment, and supplies for the College departments.

**The Statement of Cash Flows**

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

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

- Operating activities include funds received (e.g. from private donors) and payments (e.g. for scholarships, programmatic equipment, materials and supplies, and suppliers for goods and services) made for the Foundation and College departments.

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(UNAUDITED)**

**The Statement of Cash Flows (Continued)**

- Investing activities represent funds used to purchase investments, the associated investment earnings, and proceeds from sales of investments.
- Noncapital and related financing activities include funds received for permanent endowments and other related activities.

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 Revenues, Expenses, and Changes in Net Position is related to the net cash generated or consumed by operations. The difference between operating loss and net cash provided by or used in operating activities occurs because of the use of accrual accounting. Income will reflect revenues earned but not collected in cash and expenses incurred but not paid as of the end of the year. Thus, operating loss may be more or less than net cash used in operating activities.

**Economic Factors That Will Affect the Future**

Management believes the Foundation is well-positioned to maintain its stable financial condition and to continue providing support to students, College departments, and the community. Although raising private donations continues to present a challenge, the Foundation is raising funds through special events and other means to support the College and its operations. In addition, the Foundation has a restricted net position that should adequately fulfill the College's fiscal year 2022 requests. The Foundation is not aware of other currently known facts, decisions, or conditions that are expected to have a significant effect on the overall financial position or results of operations during the 2022 fiscal year. The Foundation's overall financial position can be affected by many factors, including world events, State of Florida legislative changes, and market fluctuations.

## **BASIC FINANCIAL STATEMENTS**

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF PENSACOLA STATE COLLEGE**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2021 AND 2020**

**ASSETS**

	2021	2020
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,755,347	\$ 1,083,568
Investments, net	23,716,974	20,042,801
Promises to give, net	128,336	115,849
Other receivables, net	1,350	1,550
Prepaid expenses	27,368	26,500
Total current assets	<u>26,629,375</u>	<u>21,270,268</u>
<b>Noncurrent Assets:</b>		
Investments	13,551,703	11,821,324
Promises to give, net	223,843	298,841
Capital assets, net	89,024	111,753
Assets held under split-interest agreements	377,369	342,316
Cash surrender value of life insurance	-	20,568
Total noncurrent assets	<u>14,241,939</u>	<u>12,594,802</u>
<b>Total Assets</b>	<u><u>\$ 40,871,314</u></u>	<u><u>\$ 33,865,070</u></u>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>Current Liabilities:</b>		
Accounts payable	\$ 15,556	\$ 65,134
Unearned revenues	128,637	63,132
Total current liabilities	<u>144,193</u>	<u>128,266</u>
<b>Noncurrent Liabilities:</b>		
Liability under split-interest agreement	<u>158,185</u>	<u>144,240</u>
Total liabilities	<u>302,378</u>	<u>272,506</u>
<b>Deferred Inflows of Resources:</b>		
Split-interest agreements	<u>219,184</u>	<u>198,076</u>
<b>Net Position:</b>		
Unrestricted -	1,848,095	1,271,877
Restricted -		
Expendable	24,035,289	19,539,221
Nonexpendable	14,466,368	12,583,390
Total net position	<u>40,349,752</u>	<u>33,394,488</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u><u>\$ 40,871,314</u></u>	<u><u>\$ 33,865,070</u></u>

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

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF PENSACOLA STATE COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>		
Contributions	\$ 1,338,359	\$ 671,905
In-kind contributions	692,152	723,301
Other operating revenues	297,456	179,678
Total operating revenues	<u>2,327,967</u>	<u>1,574,884</u>
<b>Operating Expenses:</b>		
Program services	1,069,748	1,258,185
Management and general	619,662	507,623
Fundraising services	329,605	319,662
Total operating expenses	<u>2,019,015</u>	<u>2,085,470</u>
<b>Operating Income (Loss)</b>	<u>308,952</u>	<u>(510,586)</u>
<b>Nonoperating Revenues:</b>		
Interest and dividend income	686,267	559,179
Net unrealized and realized gain on investments	4,232,033	3,360,880
Total nonoperating revenues	<u>4,918,300</u>	<u>3,920,059</u>
<b>Net Income Before Other Changes in Net Position</b>	5,227,252	3,409,473
<b>Other Changes in Net Position:</b>		
Endowed contributions	<u>1,728,012</u>	<u>520,248</u>
<b>Change in Net Position</b>	6,955,264	3,929,721
<b>Net Position, Beginning of Year</b>	<u>33,394,488</u>	<u>29,464,767</u>
<b>Net Position, End of Year</b>	<u><u>\$ 40,349,752</u></u>	<u><u>\$ 33,394,488</u></u>

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



**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF PENSACOLA STATE COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Cash Flows From Operating Activities:</b>		
Cash receipts from contributions	\$ 1,400,870	\$ 807,330
Cash receipts from other operating revenue	363,161	180,278
Cash paid for operating expenses	<u>(1,324,412)</u>	<u>(1,308,650)</u>
Net cash provided by (used in) operating activities	<u>439,619</u>	<u>(321,042)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investment securities	(4,346,328)	(1,749,089)
Proceeds from sales of investment securities	3,164,209	1,646,329
Interest and dividends received	686,267	559,179
Net cash provided by (used in) investing activities	<u>(495,852)</u>	<u>456,419</u>
<b>Cash Flows From Capital Activities:</b>		
Capital improvements	<u>-</u>	<u>(113,647)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Endowment contributions	<u>1,728,012</u>	<u>520,248</u>
<b>Net Increase in Cash</b>	1,671,779	541,978
<b>Cash, Beginning of Year</b>	<u>1,083,568</u>	<u>541,590</u>
<b>Cash, End of Year</b>	<u><u>\$ 2,755,347</u></u>	<u><u>\$ 1,083,568</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
<b>Provided by (Used in) Operating Activities:</b>		
Operating income (loss)	\$ 308,952	\$ (510,586)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	32,329	5,094
Change in allowance for uncollectible promises to give	(1,186)	(2,764)
Change in cash surrender value of life insurance	20,568	(620)
Changes in operating assets and liabilities -		
Promises to give	63,697	138,189
Other receivables	200	(200)
Prepaid expenses	(868)	1
Accounts payable	(49,578)	49,044
Unearned revenues	<u>65,505</u>	<u>800</u>
Net cash provided by (used in) operating activities	<u><u>\$ 439,619</u></u>	<u><u>\$ (321,042)</u></u>

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

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Reporting Entity:*

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

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

*Financially Interrelated Organizations:*

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

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

*Basis of Presentation and Accounting:*

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

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of Estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates.

*Cash and Cash Equivalents:*

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

*Investments:*

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

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

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

For the years ended December 31, 2021 and 2020, the Foundation endowment spending rule provided for annual distributions not to exceed 5% of the average three-year value of the portfolio. For the years ended December 31, 2021 and 2020, the Foundation's endowments provided investment income of 2.36% and 2.19%, respectively, of the average three-year market value.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Real Estate Investments:*

During the year ended December 31, 2019, the Foundation received a \$250,000 real estate contribution that is being used as rental property until it is sold for the purpose of establishing an endowment. Since the property is being held to generate income until it is sold, the property is classified as an investment pursuant to Government Accounting Standards Board ("GASB") Statement 72, *Fair Value Measurement and Application*. The property is recorded at fair market value, net of depreciation. Depreciation expense for the years ended December 31, 2021 and 2020 was \$9,600 and \$3,200, respectively. Rental income for the years ended December 31, 2021 and 2020 was \$11,145 and \$3,265, respectively.

*Allowance for Doubtful Accounts:*

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

*Capital Assets:*

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

*Split-Interest Agreements:*

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

*Deferred Inflows of Resources:*

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Revenues and Expenses:*

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

*Income Taxes:*

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

*In-Kind Contributions:*

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

*Restricted and Unrestricted Resources:*

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

*Functional Allocation of Expense:*

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

*Upcoming Accounting Pronouncements:*

In June 2017, The GASB issued Statement No. 87, *Leases* ("GASB 87"), which addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases and recognized as inflows of resources or outflows of resources. GASB 87 establishes the lessee's requirement to recognize a lease liability and an intangible right-to-use asset. GASB 87 will be effective for the Foundation for the year ending December 31, 2022. Management does not expect the adoption of GASB 87 to significantly impact the Foundation's financial statements.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Reclassifications:*

Certain reclassifications were made in the 2020 financial statements to conform to the current year presentation.

**NOTE 2 - CASH AND INVESTMENTS**

The Foundation has an investment policy which provides guidelines for the investment of Foundation assets. The objectives of the Foundation's policy are to provide a total return from investments that will preserve the purchasing power of the endowed assets in addition to generating an income stream to support the activities of the College. The Foundation Finance Committee establishes and maintains the investment policy. Investments held by the Foundation at December 31, 2021 and 2020 are reported at fair value. These investments are held by Synovus Trust Company, N.A. ("Synovus"), of Columbus, Georgia, by its sub-custodian, The Bank of New York Mellon.

The following table presents the fair value of investments as of December 31, 2021 and 2020.

Investment Type	2021	2020
<u>Equity Mutual Funds</u>		
Oppenheimer Developing Markets Fund	\$ 680,060	\$ 626,812
Vanguard Developed Market Index Fund	2,794,078	2,232,601
Vanguard 500 Index Fund	14,015,183	11,397,609
Vanguard Mid Cap Index Fund	3,989,628	3,289,584
Vanguard Small Cap Index Fund	3,912,164	3,050,527
<u>Fixed Income Mutual Funds</u>		
Dodge & Cox Income Fund	2,117,669	2,981,878
Vanguard Inflation-Protected Services Securities Fund	3,219,113	2,981,870
Vanguard Short-Term Investment Grade Fund	2,108,462	883,353
Federated Total Return Bond Fund	2,090,777	3,125,502
Federated Ultrashort Bond Fund	2,104,213	1,047,387
<u>Federal Agency Obligations</u>		
Government National Mortgage Association II Modified Pass Through Pool	130	202
Real estate investment, net	237,200	246,800
Total investments	<u>\$ 37,268,677</u>	<u>\$ 31,864,125</u>

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Credit Risk:*

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

*Concentration of Credit Risk:*

The Foundation funds are invested to produce maximum total return consistent with prudent risk limits. The allocation of the portfolio over various asset classes is the single most important determinant of investment risk and return. At December 31, 2021 and 2020, the investment allocation targets set forth in the investment policy and the actual investment allocation was as follows:

Investment Type	Target Range	Actual Allocation	
		2021	2020
Equity securities	45% - 75%	69%	65%
Fixed income securities	25% - 55%	31%	35%
<u>Ranges within equity securities:</u>			
International and emerging market equities	20% or less	9%	9%
Small capitalization equities	5% - 25%	11%	10%
<u>Ranges within fixed income securities:</u>			
Diversified portfolio of non-investment grade bonds	5% or less	0%	0%

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

*Custodial Credit Risk:*

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

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Custodial Credit Risk (Continued):*

At December 31, 2021 and 2020, cash equivalents consisted of \$835,486 and \$304,087, respectively, held in the Federated Government Obligations money market mutual fund. The fund seeks to preserve the value of the investments at \$1 per share; however, it is not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency.

*Interest Rate Risk:*

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

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

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

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

At December 31, 2020 the average effective maturity, duration, and credit quality of the Foundation's fixed income investments were as follows:

Investment Type	2020		
	Average Effective Maturity (Years)	Average Effective Duration (Years)	Average Credit Quality Rating
Dodge & Cox Income Fund	9.20	4.90	A
Vanguard Income Securities Inflation Protected Services Fund	8.10	7.30	AAA
Vanguard Short-Term Investment - Grade Fund	2.90	2.60	BBB
Federated Total Return Bond Fund	6.90	5.60	BBB
Federated Ultrashort Bond Fund	1.10	0.90	A



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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Net Return on Investments:*

The net return on investments was as follows:

	Total Unrestricted	Total Restricted - Expendable
Year Ended December 31, 2021		
Dividends and interest	\$ 138,612	\$ 547,655
Net realized gain on investments	18,805	411,509
Unrealized gain on investments	167,255	3,634,464
	<u>\$ 324,672</u>	<u>\$ 4,593,628</u>
Total return on investments		
	Total Unrestricted	Total Restricted - Expendable
Year Ended December 31, 2020		
Dividends and interest	\$ 118,759	\$ 440,420
Net realized gain on investments	4,834	106,302
Unrealized gain on investments	138,426	3,111,318
	<u>\$ 262,019</u>	<u>\$ 3,658,040</u>
Total return on investments		

**NOTE 3 - PROMISES TO GIVE**

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

	2021	2020
Total promises to give	\$ 366,693	\$ 435,213
Less present value discount	(7,237)	(12,060)
	359,456	423,153
Less allowance for uncollectible pledges	(7,277)	(8,463)
	<u>\$ 352,179</u>	<u>\$ 414,690</u>
Total promises to give, net		

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**NOTE 3 - PROMISES TO GIVE (Continued)**

Amounts due in:

Less than one year	\$ 128,336	\$ 115,849
One to five years	<u>223,843</u>	<u>298,841</u>
Total promises to give, net	<u>\$ 352,179</u>	<u>\$ 414,690</u>

Promises to give were discounted using a risk-free interest rate of 2% in fiscal years 2021 and 2020.

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

**NOTE 4 - CAPITAL ASSETS**

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

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

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Leasehold improvements	\$ 389,707	\$ 113,647	\$ -	\$ 503,354
Less accumulated depreciation	<u>389,707</u>	<u>1,894</u>	<u>-</u>	<u>391,601</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 111,753</u>	<u>\$ -</u>	<u>\$ 111,753</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$22,729 and \$1,894, respectively.

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**NOTE 5 - SPLIT-INTEREST AGREEMENTS**

During 2003, a grantor named the Foundation as the trustee of a Charitable Remainder Educational Trust and a Charitable Remainder Unitrust. Under the terms of the Charitable Remainder Unitrust, the grantor waived all rights of the Trust and the Foundation was named beneficiary of a life insurance policy of the grantor. During the year ended December 31, 2021, the grantor passed away and the Foundation received \$461,610 in insurance proceeds. As of December 31, 2020, the life insurance policy had a cash surrender value of \$20,568. The Charitable Remainder Educational Trust assets are recorded at fair value and the related liabilities to make future payments under this trust are recorded at present value. At December 31, 2021 and 2020, the Charitable Remainder Educational Trust assets had an estimated value of \$253,347 and \$229,305, respectively, and the liability was valued at \$158,185 and \$144,240, respectively. The determination of the present value of the liability was based upon the discount rate of 7%.

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

The Foundation is and has been the sole recipient of annual gifts from the J.D. Carroll Irrevocable Trust since 1966. At December 31, 2021 and 2020, the trust was valued at \$124,022 and \$113,011, respectively and reported as a split-interest agreement within nonexpendable net position.

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

**NOTE 6 - NET POSITION**

Net position is divided into two major categories, unrestricted and restricted. Unrestricted net position includes resources available for any lawful purpose of the Foundation. Included in the Foundation's unrestricted net position, The Board of Governors has designated \$60,000 for future contingencies and \$441,042 as a reserve for future operating expenses.

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

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**NOTE 6 - NET POSITION (Continued)**

Expendable restricted net position at December 31, 2021 and 2020 was comprised of the following:

	<u>2021</u>	<u>2020</u>
Dr. Philip Benjamin Academic Improvement Trust	\$ 3,775,513	\$ 3,195,680
Florida Health Care Grant	416,226	373,576
Florida Scholarship Matching Program	11,883,105	9,175,475
Florida Blue Scholarship Program	16,497	16,254
Dr. Philip Benjamin Academic Improvement Trust - to be Matched	582,915	582,915
Florida Scholarship Matching Program - to be matched	682,139	768,400
Promises to give	361,272	414,690
Other	<u>6,317,622</u>	<u>5,012,231</u>
Total	<u>\$ 24,035,289</u>	<u>\$ 19,539,221</u>

Nonexpendable restricted net position at December 31, 2021 and 2020 was comprised of the following:

	<u>2021</u>	<u>2020</u>
Dr. Philip Benjamin Academic Improvement Trust	\$ 1,698,309	\$ 1,698,309
Florida Health Care Grant	121,337	121,337
Florida Scholarship Matching Program	5,585,179	5,585,179
Dr. Philip Benjamin Academic Improvement Trust - to be matched	110,132	110,132
Florida Scholarship Matching Program - to be matched	5,308,630	3,582,120
Other	<u>1,642,781</u>	<u>1,486,313</u>
Total	<u>\$ 14,466,368</u>	<u>\$ 12,583,390</u>

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**NOTE 7 - CHANGES IN ENDOWMENT NET POSITION**

The following tables presents the changes in net position for the Foundation's endowments for the years ended December 31, 2021 and 2020:

	2021		
	Expendable	Nonexpendable	Total
Endowment net position, beginning of year	\$ 12,750,297	\$ 12,583,390	\$ 25,333,687
Interest and dividends	532,502	8,590	541,092
Net appreciation	3,331,498	3,302	3,334,800
Contributions	-	1,728,012	1,728,012
Appropriation of endowment assets for expenditure	(308,913)	-	(308,913)
Other changes	61,989	143,074	205,063
Endowment net position, end of year	<u>\$ 16,367,373</u>	<u>\$ 14,466,368</u>	<u>\$ 30,833,741</u>

  

	2020		
	Expendable	Nonexpendable	Total
Endowment net position, beginning of year	\$ 10,200,637	\$ 11,978,902	\$ 22,179,539
Interest and dividends	420,570	8,197	428,767
Net appreciation	2,643,801	-	2,643,801
Contributions	-	520,248	520,248
Appropriation of endowment assets for expenditure	(565,752)	-	(565,752)
Other changes	51,041	76,043	127,084
Endowment net position, end of year	<u>\$ 12,750,297</u>	<u>\$ 12,583,390</u>	<u>\$ 25,333,687</u>

**NOTE 8 - FAIR VALUE MEASUREMENTS**

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

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**NOTE 8 - FAIR VALUE MEASUREMENTS (Continued)**

The fair value of the Foundation's assets and liabilities at December 31, 2021 and 2020 was as follows:

Description	2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market mutual funds	\$ 835,495	\$ -	\$ -	\$ 835,495
Investments:				
Equity mutual funds	25,391,113	-	-	25,391,113
Fixed income mutual funds	11,640,234	-	-	11,640,234
Federal agency obligations	-	130	-	130
Real estate investment, net	-	-	237,200	237,200
Assets held under split-interest agreements:				
Funds held in trust	253,347	-	-	253,347
Funds held in trust by others	-	124,022	-	124,022
Total assets	38,120,189	124,152	237,200	38,481,541
Liability under split-interest agreement	-	-	(158,185)	(158,185)
Total	<u>\$ 38,120,189</u>	<u>\$ 124,152</u>	<u>\$ 79,015</u>	<u>\$ 38,323,356</u>

  

Description	2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market mutual funds	\$ 304,087	\$ -	\$ -	\$ 304,087
Investments:				
Equity mutual funds	20,597,133	-	-	20,597,133
Fixed income mutual funds	11,019,990	-	-	11,019,990
Federal agency obligations	-	202	-	202
Real estate investment	-	-	246,800	246,800
Assets held under split-interest agreements:				
Funds held in trust	229,305	-	-	229,305
Funds held in trust by others	-	113,011	-	113,011
Total assets	32,150,515	113,213	246,800	32,510,528
Liability under split-interest agreement	-	-	(144,240)	(144,240)
Total	<u>\$ 32,150,515</u>	<u>\$ 113,213</u>	<u>\$ 102,560</u>	<u>\$ 32,366,288</u>

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF PENSACOLA STATE COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 8 - FAIR VALUE MEASUREMENTS (Continued)**

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

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

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

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

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

Real estate investment, net - Investment is classified as Level 3 as there are no active markets for this investment. The investment was recorded at fair market value based on a property appraisal, net of depreciation.

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

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

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

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
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**NOTE 9 - RELATED PARTY TRANSACTIONS**

*Foundation Support:*

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

The value of these services and materials was recognized as in-kind revenue and expense by the Foundation during the years ended December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Supplies	\$ 44,231	\$ 44,231
Office facilities	26,310	26,310
Management and clerical staff	<u>583,626</u>	<u>616,511</u>
	<u>\$ 654,167</u>	<u>\$ 687,052</u>

*Leases:*

The Foundation leases the College Centre Apartments from the College for use as dormitories. The lease is classified as an operating lease, is effective through July 31, 2022, and is renewable annually. The annual rental rate is renegotiated at each renewal. The rental expense for the years ended December 31, 2021 and 2020 was \$45,188 and \$46,057, respectively. There are no minimum future rental payments as the annual payment had been made as of December 31, 2021.

The Foundation leases land and buildings, two houses, one triplex and one duplex from the College, and subleases these residential apartments to the general public. The leases are classified as operating leases. The leases are effective through June 30, 2023 and have a one-year renewal option for 2024. The annual rental payments of \$1 per year were made for 2021 and 2020. Future minimum payments are \$1 per year through 2024. No estimate of the fair value of these leases has been determined.

Total sublease income recognized under these leases for the years ended December 31, 2021 and 2020 was \$182,557 and \$152,542, respectively. All subleases are for a period of one year.

*Accounts Payable:*

Accounts payable at December 31, 2020 included \$9,648 due to the College for student relief, repairs, and postage.



**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)**

*Contributions:*

Total contributions from members of the Board of Governors, their spouses, and their businesses totaled \$235,737 and \$35,557 for the years ended December 31, 2021 and 2020, respectively. Promises to give at December 31, 2021 and 2020 included approximately \$1,000 in promises to give due from members of the Board of Governors and senior Foundation management.

**NOTE 10 - RISK MANAGEMENT**

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

**NOTE 11 - CONCENTRATION**

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

**NOTE 12 - IMPACT OF CORONAVIRUS DISEASE 2019**

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. From that time through December 31, 2020, initiatives were developed to assist the students in need. The Foundation raised \$76,364 to help support students and expended \$75,190 of those funds. In 2021, \$35,000 of these expenditures were reimbursed from the College using proceeds it received from the Coronavirus Aid, Relief and Economic Security Act ("CARES Act").

Management is continually monitoring the potential impacts of the COVID-19 pandemic and its effect on the financial statements. The extent to which the COVID-19 pandemic impacts the Foundation going forward will depend on numerous evolving factors, which the Foundation cannot reliably predict.

## **SUPPLEMENTARY INFORMATION**

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF PENSACOLA STATE COLLEGE**  
**DR. PHILIP BENJAMIN MATCHING GRANT PROGRAMS**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

	2021				2020
	Florida Health Care Grant	Florida Scholarship Matching Program	Dr. Philip Benjamin Academic Improvement Trust	Total	Comparative Total
<b>Operating Revenues:</b>					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Match revenues	-	-	-	-	-
Total operating revenues	-	-	-	-	-
<b>Operating Expenses:</b>					
Program services	877	278,033	23,962	302,872	307,453
<b>Operating Loss</b>	(877)	(278,033)	(23,962)	(302,872)	(307,453)
<b>Nonoperating Revenues:</b>					
Interest and dividend income	10,374	444,887	91,930	547,191	393,741
Net unrealized and realized gain on investments	33,153	2,540,776	494,159	3,068,088	2,457,176
Other income	-	-	17,706	17,706	-
Net nonoperating revenues	43,527	2,985,663	603,795	3,632,985	2,850,917
<b>Change in Net Position</b>	42,650	2,707,630	579,833	3,330,113	2,543,464
<b>Net Position, Beginning of Year</b>	494,913	14,760,654	4,893,989	20,149,556	17,606,092
<b>Net Position, End of Year</b>	<u>\$ 537,563</u>	<u>\$ 17,468,284</u>	<u>\$ 5,473,822</u>	<u>\$ 23,479,669</u>	<u>\$ 20,149,556</u>

**PENSACOLA STATE COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF PENSACOLA STATE COLLEGE**  
**FLORIDA COMMUNITY COLLEGE SCHOLARSHIP PROGRAMS**  
**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>		
Contributions - Florida Blue	\$ 16,750	\$ 30,828
<b>Operating Expenses:</b>		
Program services	<u>16,777</u>	<u>44,374</u>
<b>Operating Loss</b>	<u>(27)</u>	<u>(13,546)</u>
<b>Change in Net Position</b>	(27)	(13,546)
<b>Net Position, Beginning of Year</b>	<u>16,524</u>	<u>30,070</u>
<b>Net Position, End of Year</b>	<u><u>\$ 16,497</u></u>	<u><u>\$ 16,524</u></u>