

**COLLEGE OF CENTRAL FLORIDA
FOUNDATION, INC.**

**A COMPONENT UNIT OF THE
COLLEGE OF CENTRAL FLORIDA**

FINANCIAL STATEMENTS

DECEMBER 31, 2014

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
College of Central Florida Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the College of Central Florida Foundation, Inc. (the Foundation), a component unit of the College of Central Florida, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Foundation's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Foundation'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 Foundation'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.

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Opinion

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, 2014, and the changes in its financial position and its cash flows for the year 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The statement of net position by account and statement of revenues, expenses and changes in net position by account, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of net position by account and statement of revenues, expenses and changes in net position by account and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of net position by account and statement of revenues, expenses and changes in net position by account, and schedule of expenditures of federal awards 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 June 10, 2015, 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 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 considering the Foundation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
June 10, 2015

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

This section of the College of Central Florida Foundation's annual financial report presents our discussion and analysis of financial performance for the fiscal periods ending on December 31, 2014 and 2013. Please read it in conjunction with the preceding Accountant's Audit Report and financial statements following this section.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position provide information about activities and present a longer-term view of financial position. The Statement of Cash Flows provides information regarding net cash from (used in) various activities.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. These notes are an integral part of these financial statements and should be read as a part of the financial statements in order for the reader to have a clear understanding of activities and performance.

FINANCIAL ANALYSIS

NET POSITION

	<u>December 2014</u>	<u>December 2013</u>
Current Assets	\$ 2,541,861	\$ 2,179,983
Capital Assets, net	21,046,472	21,204,908
Non-Current Assets	<u>68,345,401</u>	<u>65,975,089</u>
Total Assets	<u>91,933,734</u>	<u>89,359,980</u>
Current Liabilities	671,836	867,969
Noncurrent Liabilities	<u>2,357,424</u>	<u>2,578,089</u>
Total Liabilities	<u>3,029,260</u>	<u>3,446,058</u>
Net Position:		
Net investment in capital assets	19,681,466	19,574,902
Restricted	59,193,521	57,026,739
Unrestricted	<u>10,029,487</u>	<u>9,312,281</u>
Net position at end of year	<u>\$ 88,904,474</u>	<u>\$ 85,913,922</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Continued)

In comparing 2014 activity to 2013 activity, we note the following:

Total assets increased by a total of \$2.5 million (2.8%). Current assets increased by \$361,878, and Capital assets decreased by \$158,436, attributable to assets being depreciated. Non-current assets, including the Foundation's investment accounts, increased by \$2.3 million (3.6%) as a result of contributions added and investment earnings on endowments.

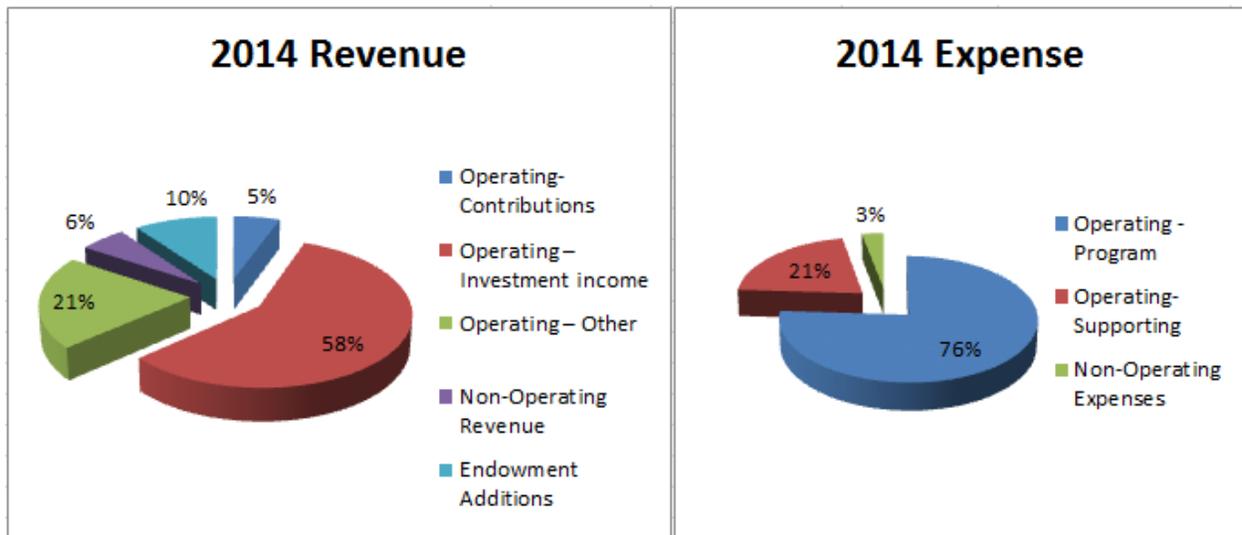
There was a net decrease in total liabilities of \$416,798 (-12.1%) with a slight decrease in current liabilities of \$196,133. Noncurrent liabilities decreased by \$220,665 (-8.6%), attributable to a \$265,000 reduction in bonds payable, and a \$100,000 reduction in noncurrent liability due to the college for College Square support. An 11 year agreement was made to repay the college beginning December 2014. The bond on College Square Apartments was paid in full January 2014.

Total net position increased by \$2,990,552 (3.5%).

CHANGES IN NET POSITION

	<u>December 2014</u>	<u>December 2013</u>
Revenue		
Operating – Contributions	\$ 344,860	\$ 489,138
Operating – Change in pledges receivable	(280)	(203,619)
Operating – Investment income	3,588,127	8,953,610
Operating – Other	1,283,967	1,323,507
Non-Operating Revenue	351,627	401,600
Endowment Additions	619,794	530,778
Total revenue	<u>6,188,095</u>	<u>11,495,014</u>
Expenses		
Operating – Program	2,429,527	2,448,848
Operating – Supporting	673,083	708,101
Non-Operating Expenses	94,933	113,632
Total expenses	<u>3,197,543</u>	<u>3,270,581</u>
Change in net position	2,990,552	8,224,433
Net position at beginning of year	<u>85,913,922</u>	<u>77,689,489</u>
Net position at end of year	<u>\$ 88,904,474</u>	<u>\$ 85,913,922</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Continued)



Revenue:

Operating – Contributions consists of private non-endowed contributions.

Operating – Change in Pledges Receivable is comprised of pledges added, paid and written off.

Operating – Investment Income is comprised of investment earnings, changes in values of life insurance and split interest agreements, and gain/loss on land held for investment purposes.

Operating – Other revenue is comprised of rental income and fees from various rental properties owned by the Foundation including College Square student residence and the Enterprise Center along with revenue from special events.

Non-Operating Revenue consists of support from College of Central Florida.

Endowment Additions are permanently restricted contributions added to the endowment fund.

Expense:

Operating – Program is comprised of donor relations, institutional and academic program support, scholarships, special events, student housing and Enterprise Center expenses.

Operating – Supporting includes general administration expenses.

Non-Operating Expenses consists of interest expense.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Continued)

Significant differences between 2014 and 2013 revenues and expenses are discussed below:

REVENUES

Operating Revenue – Overall Operating Revenue decreased by 50.5%, or \$5.4 million, with investment income decreasing by \$5.4 million due to lower market earnings in 2014. There were slight decreases in private contributions and special event revenues, as well as rental income due to vacancies in the Enterprise Center. The Dinner Theatre and Taste of CF events earned profits comparable to the 2013 events, however the 2014 Taste of Ocala had a slight decrease in profits.

Non-Operating Revenue/(Expense): There was a 12.4% decrease in support received by the college due to personnel cost adjustments.

Endowment Additions Revenue: Permanently restricted contributions to the endowment fund experienced an increase of 16.7% due to Health Occupations and STEPS scholarships.

EXPENSES

Operating – Program expenses include scholarships, academic program and institutional support as well as distributions for temporarily restricted purposes. A majority of operating program expenses are funded through earnings on endowments. Although the Foundation's fiscal year is January to December, endowment allocations are made in line with the College's academic and fiscal year which is July to June.

During 2014, the Foundation provided \$745,315 in scholarship support and \$416,109 in academic program support. Overall in 2014 program expenses were comparable to 2013. The Foundation Board of Directors approved an endowment spending percentage of 3.5% for scholarship awards during the 2014-15 academic year.

Operating – Supporting expenses are comprised of general and administrative expenses including personnel costs, insurance, utilities and maintenance. In 2014, supporting expenses totaled \$673,083, a decrease of \$38,018 (5%) from 2013 expenses, a savings resulting from position vacancies.

Non-Operating Expenses totaled \$94,933 for 2014 compared to \$120,744, a 21% decrease. This amount reflects interest paid on the Foundation's long-term debt financing. The final payment was made for the College Square bond on January 2, 2014. Beginning December 2014, repayment to the college for College Square support began in accordance with an 11 year agreement approved by the Board during 2013.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Continued)

NET POSITION

As a result of the foregoing activity, net position increased by \$2,990,552 to \$88,904,474, a 3.5% increase. Included in unrestricted net position are board designated reserve accounts that have been established as follows:

Scholarship Reserve	\$ 1,056,827
Endowed Chair/Grant Reserve	256,835
Insurance Reserve	32,000
Total Reserves	\$ 1,345,662

DEBT ADMINISTRATION

	December 2014	December 2013
Long-term Debt		
Bonds Payable	\$ 1,365,006	\$ 1,630,006
Advances from the College	1,080,343	1,180,343
Total	\$ 2,445,349	\$ 2,810,349

OTHER

In 2011, the Foundation's board of directors completed its research into alternative options and strategies for management of the Foundation's investment portfolio. At the end of that very lengthy and comprehensive process, the board approved replacing the current investment advisor with a firm having specific expertise in managing educationally based endowed investments including several educational foundations in Florida. This transition took place in late December 2011 and was fully implemented the first week of January 2012. During 2013, 20.7% was earned on the core endowed funds under the investment policies with the new firm. In late 2013, the board approved a 5% investment in core property and alternatives, implemented January 2014. During 2014, the core endowment earned 7.4% overall, the core property earned 8.5% and the alternatives earned 3.5%.

The CF Foundation is well positioned to continue to provide the college with resources to assist in carrying out its mission, to provide quality higher educational opportunities to the residents of Citrus, Levy and Marion counties (our tri-county service area). The Foundation looks back with pride and forward with anticipation to the achievements made possible with the efforts and involvement of the Foundation's Board of Directors and the College's District Board of Trustees, our donors, volunteers and community supporters.

REQUESTS FOR INFORMATION

This section of the College of Central Florida Foundation's annual financial report is designed to provide a general overview of the Foundation's finances. Questions about any of the information provided in this report or requests for additional financial information should be addressed to the Chief Fiscal Officer, CF Foundation, 3001 SW College Rd, The Enterprise Center, 2nd Floor, Ocala, FL, 34474-4415 or by calling 352-873-5808.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,457,949
Pledges receivable, current portion, net	52,409
Prepaid expenses and other current assets	31,503
Total current assets	<u>2,541,861</u>
Capital assets, net	
Capital assets not being depreciated	17,458,905
Capital assets being depreciated, net	3,587,567
Total capital assets, net	<u>21,046,472</u>
Noncurrent assets	
Cash and cash equivalents - endowment	556,562
Investments	66,911,329
Cash surrender value of life insurance	28,252
Land and property held for investment	345,851
Charitable remainder trusts	503,407
Total noncurrent assets	<u>68,345,401</u>
Total assets	<u>91,933,734</u>

LIABILITIES

Current liabilities	
Accounts payable and accrued expenses	78,000
Scholarships payable	251,832
Interest payable on bonds	4,849
Escrow - housing deposits	54,216
Unearned revenue	37,945
Line of credit payable	13,573
Current portion of advances from College of Central Florida	100,000
Current portion of gift annuity payable	16,421
Current portion of bonds payable	115,000
Total current liabilities	<u>671,836</u>
Long-term liabilities	
Long-term portion of advances from College of Central Florida	980,343
Gift annuity payable	127,075
Bonds payable, less current portion	1,250,006
Total long-term liabilities	<u>2,357,424</u>
Total liabilities	<u>3,029,260</u>

NET POSITION

Net position	
Net investment in capital assets	19,681,466
Restricted	
Nonexpendable	56,182,167
Expendable	3,011,354
Unrestricted	10,029,487
Total net position	<u>\$ 88,904,474</u>

The accompanying notes to the financial statements
are an integral part of this statement.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

Operating revenues	
Private contributions	\$ 344,860
Change in pledges receivable	(280)
Rental income and fees	1,179,820
Investment income	3,588,127
Special events	104,147
Total operating revenues	<u>5,216,674</u>
Operating expenses	
Program services:	
Donor relations	32,590
Institutional support	333,193
Scholarships	745,315
Academic program support	416,109
Special events	92,928
Student housing	545,101
Enterprise Center	264,291
Total program services	<u>2,429,527</u>
Supporting services:	
General administration	673,083
Total supporting services	<u>673,083</u>
Total operating expenses	<u>3,102,610</u>
Operating income	<u>2,114,064</u>
Nonoperating revenue (expense)	
Interest expense	(94,933)
Support from College of Central Florida	351,627
Total nonoperating revenue	<u>256,694</u>
Change in net position before endowment contributions	<u>2,370,758</u>
Private endowment contributions	619,794
Change in net position	<u>2,990,552</u>
Net position , beginning of year	85,913,922
Net position , end of year	<u><u>\$ 88,904,474</u></u>

The accompanying notes to the financial statements
are an integral part of this statement.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities	
Cash received from donors	\$ 1,123,619
Cash received from rental tenants	1,178,515
Cash paid to College of Central Florida, vendors and suppliers	<u>(2,463,103)</u>
Net cash used in operating activities	<u>(160,969)</u>
Cash flows from capital and related financing activities	
Net change in line of credit payable	230
Bond payments	(265,000)
Annuity payments	(16,421)
Interest paid on debt	<u>(99,114)</u>
Net cash used in financing activities	<u>(380,305)</u>
Cash flows from investing activities	
Cash received for interest and dividends	2,547,624
Purchases of investments	(26,200,314)
Proceeds from sale of investments	20,852,956
Payments on advances from College of Central Florida	<u>(100,000)</u>
Net cash used in investing activities	<u>(2,899,734)</u>
Net decrease in cash and cash equivalents	<u>(3,441,008)</u>
Cash and cash equivalents, beginning of year	6,455,519
Cash and cash equivalents, end of year	<u><u>\$ 3,014,511</u></u>
Shown on the statement of net position as:	
Cash and cash equivalents	\$ 2,457,949
Cash and cash equivalents - endowment	556,562
Total cash and cash equivalents	<u><u>\$ 3,014,511</u></u>
Reconciliation of operating income to net cash used in operating activities	
Operating income	\$ 2,114,064
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation and amortization	158,436
Net realized and unrealized gain on investments	(904,061)
Interest and dividends	(2,547,624)
Change in pledges receivable	280
Support from College of Central Florida	351,627
Private endowment contributions	619,794
Decrease (increase) in:	
Charitable remainder trusts	(15,925)
Pledges receivable	74,254
Prepaid expenses and other current assets	14,444
Increase (decrease) in:	
Accounts payable and accrued expenses	20,575
Scholarships payable	(57,941)
Escrow - housing deposits	(1,305)
Unearned revenue - events	(3,511)
Gift annuity payable	15,924
Net cash used in operating activities	<u><u>\$ (160,969)</u></u>

The accompanying notes to the financial statements
are an integral part of this statement.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) **Summary of Significant Accounting Policies:**

(a) **Nature of organization**—College of Central Florida Foundation, Inc. (the Foundation) is a direct support organization as provided for in Section 240.331, Florida Statutes, and is considered a component unit of the College of Central Florida (the College), in Ocala, Florida. The Foundation was formed in 1959 as a 501(c)(3) not-for-profit organization whose objective is to provide students attending the College with funds to pursue their collegiate training and to provide the College with funds to carry on any proper activity at the College.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

For financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Foundation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

(c) **Fund accounting**—To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. All of the Foundation's financial activity is accounted for in a single enterprise fund which is broken down into the following sub-accounts:

Operating account—includes unrestricted and restricted resources, represents the portion of expendable funds that are available for support of operations and funds available for use in accordance with specific restrictions, respectively.

Endowment account—records nonexpendable donations received by the Foundation subject to donor-imposed restrictions and unrestricted donations received by the Foundation subject to designation by the Foundation's Board of Directors, requiring that the principal be invested in perpetuity and that only income (including appreciation) can be used for scholarships and endowed chair activities. The endowment principal balance fluctuates as investment income, including realized and unrealized appreciation is allocated to each endowment on a pro rata basis based on its balance as a percentage of the total endowment fund. Beginning in 1992, the Board of Directors approved the unrestricted operating fund to charge up to a 2.5% reinvestment fee against current earnings to recover the costs of administering endowment and general operations. During the 2014 fiscal year, a reinvestment fee of 2% was charged on active endowments and 1% was charged on the funds associated with the Federal Endowment Challenge Grant and the operational Appleton Museum Endowments.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

General plant account—consists of the net investment in land, buildings and equipment plus resources, if any, restricted by the donor to be used for plant additions, except for the student housing facility. The artwork and collections of the Appleton Museum of Art are also included in the general plant account. Art acquisitions are recorded at cost if purchased or at market value on the date of receipt if donated, based on a bona fide appraisal. Although the artwork and collections have been capitalized, they are considered inexhaustible and therefore not depreciable.

Student housing account—includes the student housing facility and related debt to further assist students attending the College. Rental revenues and operating and maintenance expenses are also recorded in the account.

Enterprise center account—includes office building and related debt. Rental revenues and operating expenses are also recorded in the account.

(d) **Net position**—The Foundation classifies its net position into the following three categories:

Net investment in capital assets—represents the Foundation's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted—The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Expendable restricted net position includes resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted—The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Classification of revenues**—The Foundation classifies its revenues as operating or non-operating according to the following criteria:

Operating revenues—include the primary activities of contributions from donors, program revenues, investment income, rental activities and special events.

Non-operating revenues—include revenues derived from contributions restricted for capital additions or endowments.

(f) **Donor restricted endowments**—Investment income, including unrealized appreciation and depreciation, is allocated to each endowment account on a pro rata basis based on the nonexpendable endowment balance. In accordance with state law, these funds are then available for expenditure when the specific donor criteria are met. The Foundation's accounts for endowments using the total return method, which utilizes both income and capital appreciation to be withdrawn for spending. The maximum allowable spending amount is stated in the investment policy.

(g) **Cash and cash equivalents**—Cash and cash equivalents consist of cash, certificates of deposit, money market accounts and highly liquid fixed income investments with original maturities of three months or less. Cash and cash equivalents that are part of the endowment account are classified as noncurrent assets in the statement of net position, as they are not intended to be used for current operating costs.

(h) **Capital assets**—Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets, which range from five years for most equipment to forty years for buildings.

(i) **Pledges receivable**—Legally enforceable pledges, less an allowance for uncollectible amounts, are recorded as a receivable and revenue in the year made for current period use. Pledges for endowments are considered voluntary nonexchange transactions and the contribution cannot be recognized until all the eligibility requirements are met, including time restrictions. Therefore, pledges for endowments are not recorded on the financial statements until the funds are received.

(j) **Split interest agreements**—

Gift annuities—Assets received under charitable gift annuity agreements are recognized at their fair value at the date of donation, and annuity payment liabilities are recognized at the present value of the future cash flows expected to be paid to the annuitants. Contribution revenue is recognized as the difference between amounts received and payable.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

Charitable remainder trusts—The Foundation has received an irrevocable interest in several charitable remainder trusts. Under the terms of these agreements, the Foundation receives a beneficiary interest in the trust upon the death of the donor, at which time the value received will be endowed or spent in accordance with the wishes of the donor(s). The Foundation records these trusts at net present value in the accompanying Statement of Net Position as noncurrent assets.

(k) **Investments**—The Foundation follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this provision, contributed marketable securities are recorded at their fair value at the date of donation. Purchased marketable securities are recorded and carried at fair value with increases and decreases being charged and credited to the statement of revenues, expenses, and changes in net position.

(l) **Accrued compensated absences**—The Foundation accrues accumulated unpaid vacation and sick leave and associated employer-related costs when earned (or estimated to be earned) by the employee. Eligible employees are entitled to annual vacation and sick leave with pay. The employees are generally allowed to accumulate vacation leave. A maximum of 450 hours may be carried over from year to year, of which 330 hours will be paid upon termination. Sick leave balances accrue for employees who are actively employed and who have completed ten years of service. However, payment upon termination is limited to the lesser of 60 days or 1/2 of the employee's sick leave balance for those employees who were hired on or after July 1, 1998, or 1/2 of the employee's sick leave balance for those employees hired prior to July 1, 1998.

(m) **Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(n) **Income taxes**—The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. Contributions to the Foundation qualify for the charitable contribution tax deduction.

(o) **Donated property, materials and services**—Donated property used to further the purposes of the Foundation is recorded at estimated fair value at the time of donation. Donated materials and services used to further the purposes of the Foundation are recorded at the amount it deems it would reasonably pay to obtain such materials and services. The Foundation frequently receives donations of property and materials, which it in turn, contributes to the College. These amounts are not recorded in the Foundation's accounting records.

(p) **Pronouncements issued**—The GASB issued Statement No. 72 in February of 2015. The Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The provisions of the Statement are effective for reporting periods beginning after June 15, 2015. The Foundation has considered the new pronouncement and does not believe that implementation of this Statement will have an impact on the reported financial position, operations, or cash flows of the Foundation. Accordingly, the Foundation did not early implement GASB Statement No. 72.

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(2) **Land and Property Held for Investment or Resale:**

The Foundation has received property from various donors, which were recorded at fair market value at date of gift.

Land

Florida:

Lot 7, Block M. College Park Second Addition, Marion County	\$ 16,000
Orange Lake, Marion County - 26.6 acres, The Ray Preserve	169,851

Columbus, Ohio:

Downtown Commercial Area Land Lease	160,000
Total	\$ 345,851

(3) **Rental Income:**

Rental income is received by the Foundation from the following sources:

- (a) A 99-year lease on property located in Columbus, Ohio, was donated. Rent of \$2,500 is payable in advance every three months. The lease expires in the year 2022 and is renewable in perpetuity at the option of the lessee.
- (b) Single-family residence located in Ocala, Florida, on a portion of land that was purchased by the Foundation for construction of the student housing facility. Rent of \$875 is payable monthly on the 1st of each month. The lease expires February 29, 2016.
- (c) Single-family residence located in Ocala, Florida, on a portion of land that was purchased by the Foundation for construction of the student housing facility. Rent of \$995 is payable on the 1st of each month. The lease was renewed on January 1, 2015 for rent of \$995 payable on the 1st of each month. The lease expires on December 31, 2015.
- (d) College Square, a 48-unit student residence that houses 192 students, charges monthly rent of between \$300 and \$465, depending on the length of lease. The length of a lease varies, depending on the tenants' needs. The Foundation has contracted with Ellison Property Management since July 2002 to manage the property. The property's daily operations are handled through the management office at College Square.
- (e) The property adjacent to College Square in Ocala, Florida is leased to Francis Marion Military Academy. Rent of \$2,673 is payable on the 1st of each month with a 5% increase on July 1, 2015. The lease expires on June 30, 2016.
- (f) The Enterprise Center, a commercial office building, is leased to various organizations with purposes consistent to the College's goals of educating and providing employment opportunities to its graduating students. The CLM Workforce Development Board lease runs ten years, from 2014 to 2024, although it contains an early termination clause in the event the tenant's annual government

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(3) **Rental Income:** (Continued)

funding is significantly reduced. See below for sources of rental income on the Enterprise Center for the year ended December 31, 2014.

- In June 2014, Citrus Levy Marion Workforce Development Board, Inc. signed a 10 year lease to rent 7,708 sq. ft. of space on the second floor of the Enterprise Center. Rent is due on the 1st of each month at a rate of \$17.00 per sq. ft. with \$.50/per sq. ft. increases annually beginning on January 1, 2015. The lease expires June 30, 2024.
- In January 2005, the College signed a 10 year lease to rent 3,407 sq. ft. of space on the first floor of the Enterprise Center for corporate training and 3,540 sq. ft. of space on the second floor for institutional advancement. The lease expired on December 31, 2014. In January 2015, the College signed a new 5 year lease for the 3,407 sq. ft. of space on the first floor. Rent is due on the 1st of each month at a rate of \$17.50 per sq. ft. with \$.50/per sq. ft. increases annually beginning on January 1, 2016. The lease expires December 31, 2019.
- Effective June 2013, the College, in partnership with CLM Workforce Connection, began occupying 1,534 sq. ft. in the Enterprise Center for a job placement office. In lieu of paying rent, the College funded the Donor Relations Specialist's Salary. This memorandum of understanding is effective through December 2015.
- In December 2012, EDC, an Enterprise Center tenant, merged with the Ocala/Marion County Chamber of Commerce, and subsequently notified the Foundation of its intention to vacate the premises consisting of 3,238 sq. ft. Effective June 30, 2013, the EDC terminated its lease and vacated the premises. Two new tenants were acquired for a portion of the vacated space. The College has agreed to provide funding to the Foundation by covering additional direct payroll support in the amount of \$22,690 through December 2015 to offset the net revenue lost due to termination of the EDC's lease.
- Digital Fury, LLC signed a lease on December 18, 2014 for 528 sq. ft. of the space vacated by EDC. Rent of \$747.82 is due on the 1st of each month with \$.50/per sq. ft. increases annually beginning on January 1, 2015. The lease expires on December 31, 2015.
- The Small Business Development Council signed a lease on May 29, 2014 for 1590 sq. ft. of the space vacated by EDC with rent of \$1,855 payable on the 1st of each month with \$.50/per sq. ft. increases annually beginning on June 15, 2015. The lease expires on September 30, 2015.
- Neptune Ventures signed a lease on August 29, 2014 for 222 sq. ft. of the space vacated by EDC with rent of \$314.50 payable on the 1st of each month with \$.50/per sq. ft. increases annually beginning on September 1, 2015. The lease expires on August 31, 2015.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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(3) **Rental Income:** (Continued)

Rental income to be received over the next five years under non-cancellable operating leases is as follows:

December 31,	Amount
2015	\$ 1,130,558
2016	226,912
2017	215,628
2018	221,185
2019	226,743

(4) **Cash, Cash Equivalents, and Investments:**

Investments are recorded at fair value. Securities traded on a national exchange are valued at the last reported sales price. Corporate bonds not traded on a national exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of real estate investments is based on independent appraisals. Investments in hedge funds are generally valued at fair value, by the management of the fund by reference to the value of the underlying fund's assets, if available, or by the valuations of a fund's underlying assets as provided by the general partner or investment manager, if the assets are not publicly traded. Other investments not having an established market are recorded at estimated fair value.

The Foundation has established an investment policy for its endowed investments. The majority of its endowed investments are managed by SEI Investments Management Corp. The Foundation has a separate investment policy for the Edith Marie Appleton Endowment and Appleton Museum Family Endowment, which are managed by the Northern Trust Company. The Foundation's investment managers are required to oversee the management of the portfolios pursuant to investment policies adopted by the Board.

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures ("GASB 40"), the Foundation's investments in securities and investment funds are reported by investment type at fair value in the composition of investments below.

Endowed Investment	Maturities	Credit Ratings	Fair Value
Edith Marie Appleton Endowment			
Govt/Corporate Bonds	7.3	AA	\$ 782,028
TIPS	2.88	AAA	103,554
High Yield Bonds	5.49	Unrated	206,482
Equities	N/A	N/A	2,782,552
Global Real Estate	N/A	N/A	242,261
Commodities	N/A	N/A	139,956
Cash and cash equivalents - endowment	N/A	N/A	89,075
Total			4,345,908

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(4) **Cash, Cash Equivalents, and Investments:** (Continued)

<u>Endowed Investment</u>	<u>Maturities</u>	<u>Credit Ratings</u>	<u>Fair Value</u>
Appleton Museum Family Endowment			
Govt/Corporate Bonds	7.3	AA	\$ 2,547,466
TIPS	2.88	AAA	343,843
High Yield Bonds	5.49	Unrated	683,790
Equities	N/A	N/A	9,058,390
Global Real Estate	N/A	N/A	803,363
Commodities	N/A	N/A	515,384
Cash and cash equivalents - endowment	N/A	N/A	465,903
Total			<u>14,418,139</u>
Other Endowed Investments			
Investment Grade Fixed Income	2.62	AA	\$ 7,412,440
Non-Investment Grade Fixed Income	4.02	B	2,698,530
Investment Bonds	5.38	BBB	1,727,915
Equities	N/A	N/A	22,847,456
Balanced Funds	N/A	N/A	6,131,207
Hedge Funds	N/A	N/A	4,499,897
Cash and cash equivalents - endowment	N/A	N/A	1,584
Total			<u>45,319,029</u>
Total endowed investments (including cash)			<u><u>\$ 64,083,076</u></u>

Non-endowed assets held for various temporarily restricted and unrestricted purposes are invested separately and managed in accordance with the Board's approval for non-endowed investments:

Other investments			
Investment Grade Fixed Income	1.26	AA	\$ 3,169,018
Non-Investment Grade Fixed Income	4.02	B	116,854
Investment Bonds	5.38	BBB	98,943
Cash and cash equivalents			2,457,949
Total non-endowed investme			<u>\$ 5,842,764</u>

Both endowed and non-endowed investments are shown in the accompanying Statement of Net Position as follows:

Cash and cash equivalents	\$ 2,457,949
Cash and cash equivalents - endowment	556,562
Investments	66,911,329
Total	<u><u>\$ 69,925,840</u></u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(4) **Cash, Cash Equivalents, and Investments:** (Continued)

GASB 40 establishes disclosure requirements related to the following types of investment risks:

Credit risk—Credit risk relates to the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit for debt securities of the Foundation are displayed in the above schedule. Investment ratings are from Moody's Investor Services, Inc., Standard & Poor's, and Fitch. SEI Investments Management Corp. manages the other endowed investments and seeks "real return" for the portfolio. Fixed income securities managed by SEI Investments Management Corp. may invest in debt securities of any credit quality and with a broad range of maturities.

Interest rate risk—Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The weighted average maturity for the Appleton Museum Family Endowment and the Edith Appleton Endowment and the duration for the Other Endowed Investments are presented in the above schedule.

Custodial credit risk—

For deposits, at December 31, 2014, cash and cash equivalents, including cash and cash equivalents held in endowment, were held by depositories and the bank balances amounted to \$2,979,701, of which \$2,449,824 was uninsured and uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Foundation's name.

For investments, 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 investments or collateral securities that are in the possession of an outside party.

Appleton Museum Family Endowment and Edith Appleton Endowment—All investments are held in a counterparty account for the Northern Trust Company, a trust department, as custodian for the above referenced client account.

Other endowed investments—All investments managed by SEI Investments Management Corp. were held in counterparty accounts with Regions Financial Corporation, as custodian for the Foundation.

Concentration of credit risk—Disclosure of any issuer of investments that in the aggregate is 5% or more of the portfolio is required to be disclosed as a concentration of credit risk. As of December 31, 2014, there were no concentrations of credit risk.

Foreign currency credit risk—Investments include exposure to international equity securities. Fluctuating exchange rates will have an impact on the performance of those investments. No investments are completed with the sole intent to profit from changes in foreign currency exchange rates.

(5) **Charitable Gift and Remainder Annuity Trusts:**

As of December 31, 2014, the Foundation holds a remainder interest in several charitable remainder trusts. Under the terms of these trusts, the beneficiaries are to receive annual distributions during the lifetime of the donor(s). Upon the death of the donor(s), the funds remaining will be endowed or spent in accordance with the wishes of the donor(s).

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(5) **Charitable Gift and Remainder Annuity Trusts:** (Continued)

As of December 31, 2014, the Foundation has entered into charitable gift annuity agreements with donors. Under terms of these agreements, the beneficiaries are to receive annual distributions of an amount equal to between 5.2% and 7.3% of the original principal of the trust for the life of the donor(s). The present value of the annuity payment liabilities at December 31, 2014, has been calculated based on the respective payouts and discount rates as determined by the trust documents. This amount is reflected on the balance sheet as a gift annuity liability. Upon the death of the donor(s), any funds remaining will be endowed or spent in accordance with the wishes of the donor(s). See Note 12 for change in the liability for the fiscal year ended December 31, 2014.

(6) **Capital Assets:**

A summary of the Appleton Museum and all other property and equipment of the Foundation is as follows at December 31, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Student housing and rental houses				
Property and equipment not being depreciated:				
Land	\$ 459,640	\$ -	\$ -	\$ 459,640
Capital assets being depreciated:				
Student housing buildings and improvements	2,984,330	-	-	2,984,330
Rental houses	93,303	-	-	93,303
Total capital assets being depreciated	<u>3,077,633</u>	<u>-</u>	<u>-</u>	<u>3,077,633</u>
Less accumulated depreciation:				
Student housing buildings and improvements	(1,538,683)	(78,935)	-	(1,617,618)
Rental houses	(46,181)	(2,433)	-	(48,614)
Total accumulated depreciation	<u>(1,584,864)</u>	<u>(81,368)</u>	<u>-</u>	<u>(1,666,232)</u>
Total capital assets being depreciated, net	<u>1,492,769</u>	<u>(81,368)</u>	<u>-</u>	<u>1,411,401</u>
Student housing and rental houses, net	<u>1,952,409</u>	<u>(81,368)</u>	<u>-</u>	<u>1,871,041</u>
Other capital assets				
Capital assets not being depreciated:				
Appleton collections and artwork	16,975,265	-	-	16,975,265
Other donated collections and artwork	24,000	-	-	24,000
Total capital assets not being depreciated	<u>16,999,265</u>	<u>-</u>	<u>-</u>	<u>16,999,265</u>
Capital assets being depreciated:				
Buildings – Enterprise Center	2,985,432	-	-	2,985,432
Equipment – Enterprise Center	38,539	-	-	38,539
Office equipment	1,250	-	-	1,250
Donated educational equipment	701	-	-	701
Total capital assets being depreciated	<u>3,025,922</u>	<u>-</u>	<u>-</u>	<u>3,025,922</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(6) **Capital Assets:** (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation:				
Buildings – Enterprise Center	\$ (737,415)	\$ (74,635)	\$ -	\$ (812,050)
Equipment – Enterprise Center	(34,210)	(2,308)	-	(36,518)
Office equipment	(1,063)	(125)	-	(1,188)
Total accumulated depreciation	<u>(772,688)</u>	<u>(77,068)</u>	<u>-</u>	<u>(849,756)</u>
Total capital assets being depreciated, net	<u>2,253,234</u>	<u>(77,068)</u>	<u>-</u>	<u>2,176,166</u>
Other capital assets, net	<u>19,252,499</u>	<u>(77,068)</u>	<u>-</u>	<u>19,175,431</u>
Total capital assets – at cost	23,562,460	-	-	23,562,460
Total accumulated depreciation	<u>(2,357,552)</u>	<u>(158,436)</u>	<u>-</u>	<u>(2,515,988)</u>
Total capital assets, net	<u>\$ 21,204,908</u>	<u>\$ (158,436)</u>	<u>\$ -</u>	<u>\$ 21,046,472</u>

Total depreciation expense for the year ended December 31, 2014, was \$158,436.

The total value of the artwork and collections at The Appleton Museum of Art exceeds the \$16,975,265 that is recorded in the accounting records of the Foundation. The amounts recorded in the accounting records of the Foundation are based upon a professional appraisal as of the date of donation of the top 117 items of the collection, performed by O’Toole-Ewald Art Associates, valued at \$16,794,800, together with acquisitions made since that time in the amount of \$180,465. The remaining items in the collection that were not appraised have not been included in the capitalized value of the collection due to the lack of an appraised value to assign to those items.

(7) **Net Position:**

Net position consists of the following at December 31, 2014:

Operating Account

Unrestricted:

Designated reserve for scholarships	\$ 1,056,827	
Designated reserve for chairs	256,835	
Designated reserve for insurance	32,000	
Undesignated	1,560,481	
Total unrestricted operating account		<u>\$ 2,906,143</u>

Restricted:

Restricted for annual and major gifts campaign	\$ 2,404,014	
Restricted for scholarships	173,133	
Restricted for other uses	434,207	
Total restricted operating account		<u>3,011,354</u>
Total operating account		<u>\$ 5,917,497</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(7) **Net Position:** (Continued)

Endowment Account

Total endowed for scholarships	\$ 18,791,709	
Total endowed for Appleton Museum (operational in 2015)	18,764,048	
Total endowed for charitable remainder trusts	503,407	
Total endowed chairs	12,206,293	
Total Federal Endowment Challenge (operational in 2017)	1,854,182	
Total Promise for the Future Endowment	3,473,985	
Total endowed for other purposes	588,543	
Total nonexpendable		<u>56,182,167</u>
Board designated scholarships	4,733,062	
Board designated chairs	3,568,457	
Total board designated		<u>8,301,519</u>
Total endowment account		<u>\$ 64,483,686</u>

General Plant Account

Invested in capital assets	\$ 17,000,028	
Unrestricted	(3,150)	
Total general plant account		<u>\$ 16,996,878</u>

Student Housing Account

Invested in capital assets	\$ 1,871,041	
Unrestricted	(1,251,930)	
Total student housing account		<u>\$ 619,111</u>

Enterprise Center Account

Invested in capital assets	\$ 810,397	
Unrestricted	76,905	
Total enterprise center account		<u>\$ 887,302</u>

Total Net Position \$ 88,904,474

(8) **Scholarships:**

The Foundation awards scholarships to individuals according to the stipulations placed on the scholarship by the donor or the Foundation. Eligible students are selected by the College Scholarship Committee and certified by the College Director of Financial Aid when the requirements in the Donor Letter of Understanding are satisfied.

Scholarship expense was recognized in the following accounts during the year ended December 31, 2014:

From endowment accounts	\$ 605,025
From restricted accounts	67,790
From unrestricted accounts	72,500
Total	<u>\$ 745,315</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(9) **Academic Program Support:**

The Foundation expended a total of \$416,109 for academic program support. In 1994, the Foundation began an endowed chairs program. The endowed chair expenditures represent a majority of academic program support expenses.

From endowment funds	<u>\$ 276,108</u>
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All chairs are funded from endowed investment earnings. Currently, there are five endowed chair categories:

- Category 1 – Teaching and Learning Environment
- Category 2 – State-of-the-Art Learning
- Category 3 – Cultural Environment
- Category 4 – Educational Environment
- Category 5 – New Initiative

(10) **Support from College of Central Florida:**

All employees of the Foundation are considered employees of the College. All salaries, benefits, retirement benefits through the Florida Retirement System and payroll taxes are paid by the College. The Foundation agreed to reimburse the College for a portion of such payroll expenses for the year ended December 31, 2014 based on a memorandum of understanding. Actual expenses of \$537,724 exceeded the payments of \$162,922 made by the Foundation, of which \$374,802 is included as support from College of Central Florida and personnel expenses in the statement of revenues, expenses and changes in net position.

(11) **Matching Funds Program:**

Beginning July 1, 2003, the State of Florida combined the Health Care and Scholarship Matching Programs with the Dr. Philip Benjamin Academic Improvement Trust Fund for Community Colleges to form the Dr. Philip Benjamin Matching Program for Community Colleges. The Program provides matching funds on private contributions to the Foundation of a dollar for every dollar donated for scholarships and two dollars for every three dollars donated for other eligible uses. The last year the Dr. Philip Benjamin Matching Program was fully funded by the State of Florida was the 2007-2008 academic year on eligible contributions submitted for match in February 2007. Subsequent requests for state matching funds were submitted in February for years 2008, 2009, 2010 and 2011. In the spring of 2011, the state legislature approved temporarily suspending the matching program effective June 30, 2011. A request for state matching funds for eligible contributions received during the period February 2, 2011 through and including June 29, 2011, was submitted. Currently, the Foundation has submitted for state match eligible contributions totaling \$8,321,796 with a requested state match of \$6,554,880.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(12) **Long-term Liabilities:**

The Foundation's long-term liabilities include advances, bonds payable and gift annuities. The following is a schedule of changes in the Foundation's noncurrent liabilities for the fiscal year ended December 31, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Long-term advances from the College	\$ 1,180,343	\$ -	\$ 100,000	\$ 1,080,343	\$ 100,000
Student housing bonds	160,000	-	160,000	-	-
Enterprise Center revenue bonds	1,470,006	-	105,000	1,365,006	115,000
Gift Annuity	149,161	-	5,665	143,496	16,421
Total noncurrent liabilities	<u>\$ 2,959,510</u>	<u>\$ -</u>	<u>\$ 370,665</u>	<u>\$ 2,588,845</u>	<u>\$ 231,421</u>

Advances from College of Central Florida—During December 2003, the Foundation agreed to legally obligate itself to the College in the form of an uncollateralized, non-interest bearing advance to assist with unfunded debt service and operating costs associated with College Square, the student housing complex constructed by the Foundation in 1994. The cumulative total of these advances totaled \$1,180,343 of which the Foundation and the College worked out a repayment plan and began repayment in 2014, the date that the long-term debt associated with the project is paid in full. During 2014, the Foundation imputed interest on the balance outstanding at the rate of 3.25%, the prime rate at December 31, 2014.

Following is a debt service schedule of these advances for the year ended December 31, 2014:

Fiscal Year	Principal	Interest	Total Debt Service
2015	\$ 100,000	\$ -	\$ 100,000
2016	100,000	-	100,000
2017	100,000	-	100,000
2018	100,000	-	100,000
2019	100,000	-	100,000
2020-2024	580,343	-	580,343
Total Debt Service	<u>\$ 1,080,343</u>	<u>\$ -</u>	<u>\$ 1,080,343</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(12) **Long-term Liabilities:** (Continued)

Student housing revenue bonds—In 1994, the Foundation issued tax-exempt Industrial Revenue Bonds through the City of Ocala, Florida to construct a student housing facility. Three banks purchased the bonds pursuant to a trust agreement dated January 1, 1994. In 1999, the bonds were refinanced by Bank of America. At the time of refinancing, the property was appraised at \$4.2 million. The commitment is subject to the following terms and conditions:

Amount of Bonds Issued	\$3,500,000
Amount of Bonds Refinanced	\$3,025,000
Interest Rate	4.76%
Repayment Terms	Semiannual principal and interest payments
Security	First mortgage on real property consisting of an apartment complex on four acres and two houses on a thirteen-acre tract; first lien on personal property; assignment of leases, rent and profits
Bondholder	Bank of America

These bonds were repaid in full during the year ended December 31, 2014.

Enterprise Center revenue bonds—In May 2003, the Foundation issued tax-exempt Industrial Development Revenue Bonds, Series 2003 A1 with a 20-year maturity through the Florida Development Finance Corp. to construct a 25,400 sq. ft. office building known as the Enterprise Center for lease on the Ocala campus of College of Central Florida. The bonds were refinanced in 2010 for \$1,800,000.

Amount of Bonds Refinanced	\$1,800,000
Amount of Bonds Issued	\$2,000,000
Interest Rate	4.125% fixed for five years; July 1, 2015 rate may be adjusted in succeeding five-year terms through 2023 to reflect current market interest rates.
Repayment Terms	Monthly payments of principal and interest
Security	First mortgage on real property consisting of a 25,400 sq. ft. office building; first lien on personal property; assignment of rents, contracts and leases.
Bondholder	Community Bank & Trust of Florida

Following is a debt service schedule of the bonds to maturity based on the rate in effect for the year ended December 31, 2014:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 115,000	\$ 54,934	\$ 169,934
2016	130,000	49,888	179,888
2017	145,000	44,111	189,111
2018	155,000	37,855	192,855
2019	165,000	31,180	196,180
2020-2023	655,006	50,528	705,534
Total Debt Service	<u>\$ 1,365,006</u>	<u>\$ 268,496</u>	<u>\$ 1,633,502</u>

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
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(13) **Line of Credit:**

The Foundation has a \$100,000 line of credit with Regions Bank. The outstanding balance at December 31, 2014, is \$13,573. The interest rate is the bank's prime rate (3.25 % at December 31, 2014) and the line expires September 26, 2015.

(14) **Operating Lease:**

The foundation leases utility and maintenance services from The College of Central Florida. Utility and maintenance expense under the lease agreement for the year ended December 31, 2014 was 178,309.

Future minimum lease payments are as follows:

Year Ending November 30,	Amount
2015	\$ 183,642
2016	189,151
2017	194,826
2018	200,671
2019	206,691
2020-2024	1,130,269
Total Payments	\$ 2,105,250

(15) **Insurance Policies:**

The Foundation is the owner of six life insurance policies that have cash surrender values totaling \$28,252.

(16) **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; and natural disasters for which the Foundation or College carries commercial insurance. Insurance against losses are provided through the Florida Community College Risk Management Consortium and others for the following types of risk:

Workers' Compensation	Property Damage
Liability	Health

(17) **Annual Fund and Major Gifts Campaigns:**

The Foundation, at the request of the College, conducts an annual fund campaign to support growth beyond the traditional revenue sources.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(17) **Annual Fund and Major Gifts Campaigns:** (Continued)

Pledges received for temporarily restricted purposes are recorded when made by the donor, less an uncollectible allowance. Pledge receivable activity is summarized as follows:

Pledges receivable, December 31, 2013, gross	\$	133,460
Additions		13,373
Payments received		(87,627)
Current year write-offs		(2,240)
Pledges receivable, December 31, 2014, gross		56,966
Allowance for uncollectible pledges		(4,557)
Pledges receivable, December 31, 2014, net	\$	52,409

Shown in the financial statements as:

Current	\$	52,409
Noncurrent		-
Total	\$	52,409

All contributions and pledges received for the annual fund and capital campaigns are recorded in the restricted operating account since the Foundation is obligated to spend the resources in accordance with the restrictions imposed by the donors.

(18) **Contingent Liabilities:**

The FSU Foundation and CF Foundation agreed to guarantee any shortfall from the \$1,306,740 in legislative funding for the Appleton Museum operations currently provided to the College. The guarantee of each Foundation is based on the relative percentage of each Foundation's total net position. At the time of the agreement, FSU Foundation and CF Foundation's relative percentages were 93% and 7%, respectively. This guarantee terminates in 2015 at which time neither Foundation will have responsibility for any legislative funding shortfall.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2014

	<u>Operating</u>		<u>Enterprise Fund</u>			<u>Total</u>	
	<u>Unrestricted Account</u>	<u>Restricted Account</u>	<u>Endowment Account</u>	<u>General Plant Account</u>	<u>Student Housing Account</u>		<u>Enterprise Center Account</u>
<u>ASSETS</u>							
Current assets							
Cash and cash equivalents	\$ 1,269,181	\$ 921,969	\$ -	\$ -	\$ 213,707	\$ 53,092	\$ 2,457,949
Pledges receivable, current portion, net	-	52,409	-	-	-	-	52,409
Prepaid expenses and other current assets	12,078	-	19,175	-	250	-	31,503
Total current assets	<u>1,281,259</u>	<u>974,378</u>	<u>19,175</u>	<u>-</u>	<u>213,957</u>	<u>53,092</u>	<u>2,541,861</u>
Capital assets, net							
Capital assets not being depreciated	-	-	-	16,999,265	459,640	-	17,458,905
Capital assets being depreciated, net	-	-	-	763	1,411,401	2,175,403	3,587,567
Total capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,000,028</u>	<u>1,871,041</u>	<u>2,175,403</u>	<u>21,046,472</u>
Noncurrent assets							
Cash and cash equivalents - endowment	-	-	556,562	-	-	-	556,562
Investments	1,314,959	2,069,856	63,526,514	-	-	-	66,911,329
Cash surrender value of life insurance	-	-	28,252	-	-	-	28,252
Land and property held for investment	345,851	-	-	-	-	-	345,851
Charitable remainder trusts	-	-	503,407	-	-	-	503,407
Interfund advances	52,362	(5,241)	242,540	(3,150)	(315,935)	29,424	-
Total noncurrent assets	<u>1,713,172</u>	<u>2,064,615</u>	<u>64,857,275</u>	<u>(3,150)</u>	<u>(315,935)</u>	<u>29,424</u>	<u>68,345,401</u>
Total assets	<u>2,994,431</u>	<u>3,038,993</u>	<u>64,876,450</u>	<u>16,996,878</u>	<u>1,769,063</u>	<u>2,257,919</u>	<u>91,933,734</u>

See accompanying notes to financial statements.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
STATEMENT OF NET POSITION BY ACCOUNT
DECEMBER 31, 2014
(Continued)

	Enterprise Fund						Total
	Operating		Endowment	General	Student	Enterprise	
	Unrestricted	Restricted					
<u>LIABILITIES</u>	Account	Account	Account	Account	Account	Account	
Current liabilities							
Accounts payable and accrued expenses	\$ 50,343	\$ -	\$ 25,075	\$ -	\$ 1,820	\$ 762	\$ 78,000
Scholarships payable	-	27,639	224,193	-	-	-	251,832
Interest payable on bonds	-	-	-	-	-	4,849	4,849
Escrow - housing deposits	-	-	-	-	54,216	-	54,216
Unearned revenue	37,945	-	-	-	-	-	37,945
Line of credit payable	-	-	-	-	13,573	-	13,573
Current portion of advances from							
College of Central Florida	-	-	-	-	100,000	-	100,000
Current portion of gift annuity payable	-	-	16,421	-	-	-	16,421
Current portion of bonds payable	-	-	-	-	-	115,000	115,000
Total current liabilities	<u>88,288</u>	<u>27,639</u>	<u>265,689</u>	<u>-</u>	<u>169,609</u>	<u>120,611</u>	<u>671,836</u>
Long-term liabilities							
Long-term portion of advances from							
College of Central Florida	-	-	-	-	980,343	-	980,343
Gift annuity payable	-	-	127,075	-	-	-	127,075
Bonds payable, less current portion	-	-	-	-	-	1,250,006	1,250,006
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>127,075</u>	<u>-</u>	<u>980,343</u>	<u>1,250,006</u>	<u>2,357,424</u>
Total liabilities	<u>88,288</u>	<u>27,639</u>	<u>392,764</u>	<u>-</u>	<u>1,149,952</u>	<u>1,370,617</u>	<u>3,029,260</u>
<u>NET POSITION</u>							
Net position							
Net investment in capital assets	-	-	-	17,000,028	1,871,041	810,397	19,681,466
Restricted							
Nonexpendable	-	-	56,182,167	-	-	-	56,182,167
Expendable	-	3,011,354	-	-	-	-	3,011,354
Unrestricted	2,906,143	-	8,301,519	(3,150)	(1,251,930)	76,905	10,029,487
Total net position	<u>\$ 2,906,143</u>	<u>\$ 3,011,354</u>	<u>\$ 64,483,686</u>	<u>\$ 16,996,878</u>	<u>\$ 619,111</u>	<u>\$ 887,302</u>	<u>\$ 88,904,474</u>

See accompanying notes to financial statements.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Fund						Total
	Operating		Endowment	General	Student	Enterprise	
	Unrestricted	Restricted					
	Account	Account	Account	Account	Account	Account	
Operating revenues							
Private contributions	\$ 148,502	\$ 196,358	\$ -	\$ -	\$ -	\$ -	\$ 344,860
Change in pledges receivable	-	(280)	-	-	-	-	(280)
Rental income and fees	42,352	-	-	-	798,562	338,906	1,179,820
Investment income (loss)	44,943	15,001	3,528,183	-	-	-	3,588,127
Special events	101,855	2,292	-	-	-	-	104,147
Total operating revenues	337,652	213,371	3,528,183	-	798,562	338,906	5,216,674
Operating expenses							
Program services:							
Donor relations	31,101	1,489	-	-	-	-	32,590
Institutional support	217,033	114,515	1,645	-	-	-	333,193
Scholarships	-	67,790	605,025	-	72,500	-	745,315
Academic program support	-	-	416,109	-	-	-	416,109
Special events	92,928	-	-	-	-	-	92,928
Student housing	-	-	-	-	545,101	-	545,101
Enterprise Center	-	-	-	-	-	264,291	264,291
Total program services	341,062	183,794	1,022,779	-	617,601	264,291	2,429,527
Supporting services:							
General administration	667,383	964	4,611	125	-	-	673,083
Total supporting services	667,383	964	4,611	125	-	-	673,083
Total operating expenses	1,008,445	184,758	1,027,390	125	617,601	264,291	3,102,610
Operating income (loss)	(670,793)	28,613	2,500,793	(125)	180,961	74,615	2,114,064

See accompanying notes to financial statements.

COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2014

(Continued)

	Enterprise Fund						Total
	Operating		Endowment Account	General Plant Account	Student Housing Account	Enterprise Center Account	
	Unrestricted Account	Restricted Account					
Nonoperating revenue (expense)							
Interest expense	\$ -	\$ -	\$ -	\$ -	\$ (35,789)	\$ (59,144)	\$ (94,933)
Support from College of Central Florida	316,516	-	-	-	35,111	-	351,627
Total nonoperating revenue (expense)	316,516	-	-	-	(678)	(59,144)	256,694
Change in net position before endowment contributions and transfers	<u>(354,277)</u>	<u>28,613</u>	<u>2,500,793</u>	<u>(125)</u>	<u>180,283</u>	<u>15,471</u>	<u>2,370,758</u>
Endowment contributions and transfers							
Private endowment contributions	-	-	619,794	-	-	-	619,794
Interfund transfers	(10,535)	568	9,967	-	-	-	-
Endowment reinvestment fees	823,338	-	(823,338)	-	-	-	-
Total endowment contributions and transfers	812,803	568	(193,577)	-	-	-	619,794
Change in net position	458,526	29,181	2,307,216	(125)	180,283	15,471	2,990,552
Net position, beginning of year	2,447,617	2,982,173	62,176,470	16,997,003	438,828	871,831	85,913,922
Net position, end of year	<u>\$ 2,906,143</u>	<u>\$ 3,011,354</u>	<u>\$ 64,483,686</u>	<u>\$ 16,996,878</u>	<u>\$ 619,111</u>	<u>\$ 887,302</u>	<u>\$ 88,904,474</u>

See accompanying notes to financial statements.

**COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Contract Number</u>	<u>Program Award Amount</u>	<u>Expenditures</u>
<u>Federal Awards</u>				
U.S. Department of Education				
Endowment Grant, Title III*	84.031	N/A	\$ 1,340,539	\$ 1,340,539

* Per OMB Circular A-133, the cumulative balance of federal awards for endowment funds are considered awards expended in each year in which the funds are still restricted. The restriction of endowment funds expires in 2017.

Note 1: Summary of Significant Accounting Policies – The Schedule of Expenditures of Federal Awards utilizes the same basis of accounting as the basic financial statements.

Note 2: None of the federal awards expended by the Foundation were in the form of noncash assistance, there was no insurance in effect during the year related to federal awards, nor were there any loans or loan guarantees outstanding at year-end.

**INDEPENDENT AUDITORS' 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 Directors,
College of Central Florida Foundation, Inc.:

We have audited, 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, the financial statements of the College of Central Florida Foundation, Inc. (the Foundation), a component unit of the College of Central Florida, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated June 10, 2015.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

James Moore & Co., P.L.

Gainesville, Florida
June 10, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors,
College of Central Florida Foundation, Inc.:

Report on Compliance for Each Major Federal Program

We have audited the Foundation's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2014. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
June 10, 2015

**COLLEGE OF CENTRAL FLORIDA FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None reported
- Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ Yes X No

Identification of major programs: CFDA No. 84.031, Endowment Grant, Title III, Higher Education Act of 1965

Dollar threshold used to distinguish between the type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? X Yes ___ No

Section II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Government Auditing Standards: None

Section III. Findings and Questioned Costs for Federal Awards: None

Section IV. Prior Audit Findings and Corrective Action Plan for Federal Awards for the Year Ended December 31, 2014: No corrective action plan was necessary as there were no prior year audit findings.