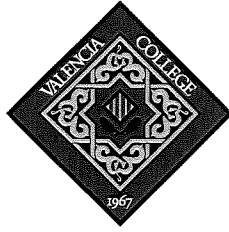


NEW BUSINESS

**ANNUAL DIRECT SUPPORT
ORGANIZATION AUDIT REVIEW**



VALENCIA FOUNDATION

Annual Direct Support Organization Audit Review *October 16, 2012*

In accordance with Florida Statutes Section 1004.70, Valencia Foundation is required to submit to the District Board of Trustees of Valencia College for review and acceptance:

- Valencia Foundation's audited financial statements for fiscal year ending March 31, 2012. The foundation received an unqualified or clean opinion from the external auditors, Cross, Fernandez and Riley, LLP. The audit has been reviewed and accepted by the Board of Directors of Valencia Foundation.
- IRS Return of Organization Exempt from Income Tax (Form 990) for fiscal year ending March 31, 2012. The Form 990 was prepared by the auditors in conjunction with the annual audit. The Board of Directors of Valencia Foundation reviewed before it was filed with the IRS.
- IRS Application for Recognition of Exemption (Form 1023). The foundation originally filed Form 1023 in 1976 with the IRS to apply for recognition as a tax exempt organization. The IRS determined the foundation to be exempt from Federal income tax in May 1976.

A copy of each item referenced above is attached along with a Direct Support Organizations Audit Review Check List. The check list requires signatures by the President and Trustee Chair to indicate review and acceptance of the above items. Upon completion, Valencia Foundation will submit the checklist to the Auditor General and the State Board of Education.

**Valencia College
Foundation, Inc.**
(formerly Valencia Community
College Foundation, Inc.)

Financial Statements
Years Ended March 31, 2012 and 2011

CFR
CROSS, FERNANDEZ & RILEY, LLP
Accountants & Consultants

Valencia College Foundation, Inc.
(formerly Valencia Community College Foundation, Inc.)

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Independent Auditors' Report

Board of Directors
Valencia College Foundation, Inc.

We have audited the accompanying statements of financial position of Valencia College Foundation, Inc. (formerly Valencia Community College Foundation, Inc.) (the "Foundation") as of March 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation at March 31, 2012 and 2011, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2012 on our consideration of the Foundation's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Overview and Analysis of the Foundation's Finances on Pages 4 through 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

August 9, 2012

Valencia College Foundation, Inc. **(formerly Valencia Community College Foundation, Inc.)**

Overview and Analysis of the Foundation's Finances

As the leadership of Valencia College Foundation, Inc. (the "foundation"), we offer readers of the foundation's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2012. We encourage readers to consider this information in conjunction with the independent auditors' report and the basic financial statements included herein.

This report represents the foundation leadership's overview of the organization's financial health and well-being. Consequently, we assume full responsibility for the completeness and reliability of all information. To provide a reasonable basis for making these representations, the foundation has established a comprehensive internal controls framework designed to protect the foundation's assets from loss, theft or misuse. These controls also allow the external auditors to compile sufficient, reliable information for the preparation of the foundation's financial statements conforming to accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the foundation's controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We confirm that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The foundation's financial statements have been audited by Cross, Fernandez & Riley, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the foundation for the fiscal year ended March 31, 2012 are complete, accurate and free of material misstatement. The independent audit involved: a test-basis examination of evidence supporting the amounts and disclosures in the financial statements; assessment of the accounting principles used and estimates made by the foundation's management; and evaluation of the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the foundation's financial statements for the fiscal year ended March 31, 2012 are accurately presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Financial Highlights

On March 31, 2012, the assets of the foundation exceeded its liabilities by \$63,414,688 (net assets). Of this amount:

- \$6,655,566 (unrestricted net assets) may be used to provide academic, community and college program support, as well as general and administrative support;
- \$25,035,411 (temporarily restricted net assets) represents funds which have been limited by donors with time restrictions or for special purposes; and

Valencia College Foundation, Inc. **(formerly Valencia Community College Foundation, Inc.)**

Overview and Analysis of the Foundation's Finances

- \$31,723,711 (permanently restricted net assets) is the non-expendable portion of funds that are invested in perpetuity.
- Total assets decreased by \$3.1 million, or 5 percent, from fiscal year 2010-11 because of a \$5 million transfer for college capital needs.
- Liabilities also decreased by \$243,133 from \$951,477 on March 31, 2011 to \$708,344 at March 31, 2012.
- The foundation's net assets decreased by \$2.9 million to a fiscal year-end balance of \$63.4 million. This change is largely attributable to an increase in program disbursements.
- Contributions received for the 2011-12 fiscal year increased 36 percent over last fiscal year, due to a \$600,000 gift.

One hundred percent of every gift to the foundation goes directly to the donor's intended purpose. So, a \$1,000 scholarship contribution is directed entirely to scholarships without a percentage deducted for administration, overhead or any other expense. The foundation's operating budget is derived primarily from revenue generated by leases on foundation-owned property, in-kind contributions, and ½ of 1 percent annualized and drawn quarterly from the endowment's fair market value. More than 60 percent of the budget is lease revenues and operating budget support from Valencia College; 18 percent comes from interest and dividends and in-kind contributions. The balance of the operating budget is endowment performance revenue.

Overview of Financial Statements

One important concern of donors is to determine whether Valencia Foundation, as a whole, has improved its financial health during the past fiscal year. A review of the foundation's statements of financial position, statements of activities, statements of cash flows and the notes to the financial statements helps to answer this question. It's also important to consider how external factors may impact foundation financials; these issues could include economic trends, stock market performance, Valencia College needs, and state and federal regulations that govern fiscal reporting for non-profits.

- The statement of financial position presents information on all of the foundation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the foundation's well-being.
- The statement of activities shows whether revenues and other support exceeded expenses, which results in either an increase in net assets or a decrease in net assets. All net asset changes are reported on an accrual basis,

Valencia College Foundation, Inc. (formerly Valencia Community College Foundation, Inc.)

Overview and Analysis of the Foundation's Finances

regardless of the timing of the related cash flows. Revenues and expenses are reported in these statements for some items or events that will result in cash flows in future periods, if at all (unrealized gains and losses on investments, for example).

- The statement of cash flows identifies the changes in cash activity for the period. The primary purpose of this statement is to provide relevant information about cash receipts and cash payments of the foundation throughout the fiscal year. For example, accruals and unrealized gains and losses are adjusted to reflect only items that provided or used cash during the fiscal year.

Statement of Financial Position

	March 31,		
	2012	2011	Change
Cash and cash equivalents	\$ 3,928,949	\$ 9,025,330	\$(5,096,381)
Investments	53,725,789	51,957,711	1,768,078
Pledges receivable - net	1,493,356	1,464,116	29,240
Florida prepaid tuition scholarships	1,747,155	1,429,875	317,280
Rental property - net	3,131,483	3,175,926	(44,443)
Other assets	96,300	195,155	(98,855)
Total assets	64,123,032	67,248,113	(3,125,081)
Liabilities	708,344	951,477	(243,133)
Net assets	\$63,414,688	\$66,296,636	\$(2,881,948)

\$5 million expended for new library and multi-use classroom building on Osceola Campus

Cash and cash equivalents were lessened by \$5,096,381 because of cash disbursements of \$5.5 million to the college as partial funding of a new library for the Osceola campus. The foundation received \$5 million in contributions in prior years for this capital project but construction was delayed by the lack of state capital funding.

Valencia College Foundation, Inc. **(formerly Valencia Community College Foundation, Inc.)**

Overview and Analysis of the Foundation's Finances

Foundation investment portfolio totals \$53 million

As of March 31, 2012, investment holdings account for 84 percent of total assets.. The purpose of the investment pool is to preserve and enhance the real purchasing power of contributed funds, while providing an earnings stream to support Valencia College. The value of the foundation's investments totals approximately \$53.7 million. A diverse asset allocation of equities, fixed income and alternative investments ensures the foundation is able to provide for the short-term, as well as the long-term needs of the college. The foundation's finance committee meets quarterly to review the investment portfolio and asset allocation, analyze performance returns, and determine the annual spending policy.

Total liabilities remain modest at \$708,344 as of March 31, 2012, which includes accounts payable and accrued expenses, as well as deferred revenue and a charitable gift annuity. The decrease in total liabilities of 26 percent is mostly due to the decrease in deferred revenue from \$371,568 at March 31, 2011 to \$196,980 at March 31, 2012. The foundation's fifth signature event, A Taste for Learning, occurred on April 2, 2011, two days after the prior fiscal year ended. In accordance with generally accepted accounting principles (GAAP), all revenues and expenses associated with the event are deferred on the financial statements until after the event. So, revenue received before April 1, 2011 is recorded in the last fiscal year as a liability, and net proceeds appear in this year's Statement of Activities.

The foundation maintains positive balances in all net asset categories. As of March 31, 2012, 50 percent of the foundation's net assets are permanently restricted and 39 percent are temporarily restricted. The remaining balance of net assets, approximately 11 percent, is unrestricted and may be used to meet the foundation's ongoing obligations, as well as allow us to take advantage of grant matching opportunities.

Valencia College Foundation, Inc. (formerly Valencia Community College Foundation, Inc.)

Overview and Analysis of the Foundation's Finances

Statement of Activities

	Year ended March 31,		Change
	2012	2011	
Revenue:			
Contributions	\$2,912,084	\$2,146,423	\$765,661
Florida prepaid matching contribution	257,649	463,236	(205,587)
State support	130,058	120,012	10,046
Rent	647,920	647,920	-
Investment income (including net gains)	1,613,423	5,917,522	(4,304,099)
Unrealized loss on Florida prepaid scholarships	(198,018)	(273,241)	75,223
Special event – A Taste for Learning	315,951	-	315,951
Other revenue	203,898	125,145	78,753
Total revenue	<u>5,882,965</u>	<u>9,147,017</u>	<u>(3,264,052)</u>
Expenses:			
Program	7,624,166	2,076,191	5,547,975
Management and general*	739,769	658,241	81,528
Fundraising*	400,978	208,841	192,137
Total expenses	<u>8,764,913</u>	<u>2,943,273</u>	<u>5,821,640</u>
Change in net assets	<u>\$(2,881,948)</u>	<u>\$6,203,744</u>	<u>\$(9,085,692)</u>

* Management and general expenses, and fundraising expenses are paid from the foundation's operating budget, which is derived primarily from lease payments for foundation-owned properties. Not a single penny of any expenses comes from donor gifts.

The change in net assets during the 2011-12 fiscal year resulted mainly from an increase in program support expenditures. The foundation disbursed \$7.2 million for scholarships, academic programs and capital funding. Of that amount, \$5.5 million represented capital expenses. The remaining \$1.7 million funded scholarships, endowed chairs and academic programs.

Contributions for the 2011-12 fiscal year totaled more than \$2.9 million which included a \$600,000 gift of the Aspen Prize from the college, as well as increased giving of \$165,661. This incremental growth reflects a brightening national economy with a 4 percent GDP growth. The local marketplace recovery and philanthropy have progressed more slowly.

The majority of donor gifts are temporarily restricted for a period of time or specific purposes. Temporarily restricted contributions for the 2011-12 fiscal year totaled \$1.87 million. Additionally, another \$316,000 in cash and in-kind donations was raised for A Taste for Learning. The signature event was co-hosted with the University of Central Florida Foundation to support Valencia and UCF 2+2 DirectConnect scholarships for first-generation-in-college

Valencia College Foundation, Inc. (formerly Valencia Community College Foundation, Inc.)

Overview and Analysis of the Foundation's Finances

students. This event could not be possible without the generous commitment of dozens of community partners who contribute the venue, food, wine, décor, marketing, auction items and other resources. Their donations allow 100 percent of event revenue to benefit scholarships. Matched by a state challenge grant, the proceeds provided scholarships for Valencia and UCF students. Because Taste occurs every 18 months, it is not part of every fiscal year.

Donor-restricted endowment contributions tripled, or increased by \$431,656 over last year. The college directed \$350,000 from the Aspen prize to create the Aspen Fund for Innovation and Excellence. In December 2011, Valencia College was recognized as the top community college in the nation for academic excellence. The prize included a \$600,000 award, which the college board of trustees voted to disburse to the foundation. The proceeds from this endowment will provide annual support for college projects that parallel the outcomes for which the prize was awarded – exceptional student success, completion, placement and transfer. The remaining \$250,000 of the Aspen Prize supports 2+2 DirectConnect scholarships.

The foundation received \$130,058 in state match through the First Generation Matching Grant Program, which offers scholarships to students who are among the first in their family to attend college. Proceeds from the signature event and other private contributions were matched and provided more than \$260,000 in immediate scholarship funds during the year. The allocation of match, if available, is determined annually by the State of Florida.

Program services made up 87 percent of total disbursements for scholarships, endowed faculty chairs, capital projects and equipment and academic programs. Support to the college totaled \$7.6 million. If recent trends continue and state funding makes up smaller portions of Valencia College's operating budget, the foundation will look to help fill in essential gaps.

Statement of Cash Flows

	Year ended March 31,	
	2012	2011
Cash flows:		
Net cash provided by (used in) operating activities	\$ (3,374,619)	\$ 1,595,758
Net cash used in investing activities	(1,721,762)	(2,113,778)
Net decrease in cash and cash equivalents	(5,096,381)	(518,020)
Cash and cash equivalents, beginning of year	9,025,330	9,543,350
Cash and cash equivalents, end of year	\$ 3,928,949	\$ 9,025,330

The statement of cash flows provides information about the foundation's major sources and uses of cash and cash equivalents. It also provides another way to assess the financial viability of the foundation. For purposes of cash flow, the foundation classifies as "cash equivalent" all highly

Valencia College Foundation, Inc. **(formerly Valencia Community College Foundation, Inc.)**

Overview and Analysis of the Foundation's Finances

liquid debt instruments with a maturity of three months or fewer. With \$4 million in cash and cash equivalents, the foundation continues to maintain ample liquidity and flexibility.

Overall, cash and cash equivalents decreased 56 percent or \$5,096,381 because of the planned fund transfer to Valencia for the 150,000-square-foot Osceola Campus building.

The foundation purchased 19 prepaid scholarships from Florida Prepaid College Foundation for Valencia's Take Stock in Children program, at a cost of \$258,000. Donor contributions allow the foundation to buy prepaid tuition scholarships at a discounted rate. Local teenagers who successfully complete the program earn a 2+2 scholarship upon high school graduation. As of March 31, 2012, the foundation has 118 prepaid Take Stock scholarships valued at \$1.8 million. The inaugural class of graduates will enroll in college in fall 2013.

The mission-driven work and financial outcomes shared in this report would not have been possible without the commitment and service of the foundation staff and our dedicated board of directors. Our board unfailingly supports us in remaining true to our guiding principles and offering our donors and partners the highest standards of professionalism. Because of their stewardship, the foundation is on very solid financial ground and is poised to enhance and expand service to Valencia College, our students and our Central Florida community.

Respectfully submitted,

Geraldine Gallagher, CFRE
Valencia College Foundation President and CEO

Michelle Matis
Valencia College Foundation Vice President, COO and CFO

Valencia College Foundation, Inc.
(formerly Valencia Community College Foundation, Inc.)

Statements of Financial Position

<i>March 31,</i>	2012	2011
Assets		
Cash and cash equivalents	\$ 3,928,949	\$ 9,025,330
Investments (Note 2)	53,725,789	51,957,711
Pledges receivable, net (Note 3)	1,493,356	1,464,116
Florida prepaid tuition scholarships (Note 4)	1,747,155	1,429,875
Rental property, net (Note 5)	3,131,483	3,175,926
Other assets	96,300	195,155
Total assets	\$ 64,123,032	\$ 67,248,113
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 452,179	\$ 503,715
Deferred revenue	196,980	371,568
Trust liability	59,185	76,194
Total liabilities	708,344	951,477
Commitments and contingencies (Notes 7 and 10)		
Net assets		
Unrestricted	6,655,566	6,968,031
Temporarily restricted (Note 8)	25,035,411	28,022,313
Permanently restricted (Note 9)	31,723,711	31,306,292
Total net assets	63,414,688	66,296,636
Total liabilities and net assets	\$ 64,123,032	\$ 67,248,113

See accompanying independent auditors' report and notes to financial statements.

Valencia College Foundation, Inc.
(formerly Valencia Community College Foundation, Inc.)

Statements of Activities

<i>Year ended March 31, 2012</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenues, gains, (losses) and other support:				
Contributions	\$ 464,978	\$ 1,870,283	\$ 576,823	\$2,912,084
Florida prepaid matching contribution	257,649	-	-	257,649
State support	-	130,058	-	130,058
Rent (Note 6)	647,920	-	-	647,920
Interest and dividends	42,527	1,243,608	-	1,286,135
Net realized and unrealized gains on investments	9,140	318,148	-	327,288
Unrealized loss on Florida prepaid tuition scholarships (Note 4)	(198,018)	-	-	(198,018)
Special event – A Taste for Learning	-	315,951	-	315,951
Other revenue, net	(5,793)	209,691	-	203,898
Net assets released from restrictions (Note 8)	6,959,918	(6,959,918)	-	-
Total revenues, gains (losses) and other support	8,178,321	(2,872,179)	576,823	5,882,965
Expenses:				
Program	7,624,166	-	-	7,624,166
Management and general	739,769	-	-	739,769
Fundraising	400,978	-	-	400,978
Total expenses	8,764,913	-	-	8,764,913
Change in net assets	(586,592)	(2,872,179)	576,823	(2,881,948)
Net assets, beginning of year	6,968,031	28,022,313	31,306,292	66,296,636
Transfer of net assets	274,127	(114,723)	(159,404)	-
Net assets, end of year	\$6,655,566	\$25,035,411	\$31,723,711	\$63,414,688

See accompanying independent auditors' report and notes to financial statements.

Valencia College Foundation, Inc.
(formerly Valencia Community College Foundation, Inc.)

Statements of Activities

<i>Year ended March 31, 2011</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenues, gains, (losses) and other support:				
Contributions	\$ 323,271	\$ 1,677,985	\$ 145,167	\$2,146,423
Florida prepaid matching contribution	463,236	—	—	463,236
State support	—	120,012	—	120,012
Rent	647,920	—	—	647,920
Interest and dividends	35,257	1,150,503	—	1,185,760
Net realized and unrealized gains on investments	93,826	4,637,936	—	4,731,762
Unrealized loss on Florida prepaid tuition scholarships	(273,241)	—	—	(273,241)
Other revenue, net	84,830	40,315	—	125,145
Net assets released from restrictions	2,168,023	(2,168,023)	—	—
Total revenues, gains (losses) and other support	3,543,122	5,458,728	145,167	9,147,017
Expenses:				
Program	2,076,191	—	—	2,076,191
Management and general	658,241	—	—	658,241
Fundraising	208,841	—	—	208,841
Total expenses	2,943,273	—	—	2,943,273
Change in net assets	599,849	5,458,728	145,167	6,203,744
Net assets, beginning of year	6,368,182	22,630,660	31,094,050	60,092,892
Transfer of net assets	—	(67,075)	67,075	—
Net assets, end of year	\$6,968,031	\$28,022,313	\$31,306,292	\$66,296,636

See accompanying independent auditors' report and notes to financial statements.

Valencia College Foundation, Inc.
(formerly Valencia Community College Foundation, Inc.)

Statements of Cash Flows

<i>Year ended March 31,</i>	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (2,881,948)	\$ 6,203,744
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	46,364	46,224
Increase (decrease) in value of trust liabilities	5,791	(14,792)
Net realized and unrealized gains on investments	(327,288)	(4,731,762)
Non-cash matching contribution for Florida prepaid tuition scholarships	(257,649)	(463,236)
Unrealized loss on Florida prepaid tuition scholarships	198,018	273,241
Changes in:		
Pledges receivable	(29,240)	212,806
Other assets	97,457	(89,234)
Accounts payable and accrued expenses	(51,536)	(50,821)
Deferred revenue	(174,588)	209,588
Net cash provided by (used for) operating activities	(3,374,619)	1,595,758
Cash flows from investing activities:		
Purchase of investments	(9,471,804)	(4,694,073)
Proceeds from sale of investments	8,031,014	3,071,110
Purchase of Florida prepaid tuition scholarships	(257,649)	(467,729)
Payments to beneficiaries under trust liabilities	(22,800)	(21,381)
Purchase of equipment	(2,520)	(2,085)
Proceeds from sale of equipment	1,997	380
Net cash used for investing activities	(1,721,762)	(2,113,778)
Net decrease in cash and cash equivalents	(5,096,381)	(518,020)
Cash and cash equivalents, beginning of year	9,025,330	9,543,350
Cash and cash equivalents, end of year	\$ 3,928,949	\$ 9,025,330

See accompanying independent auditors' report and notes to financial statements.

Valencia College Foundation, Inc.
(formerly Valencia Community College Foundation, Inc.)

Statements of Functional Expenses

<i>Year ended March 31,</i>	2012				2011				
	<i>Program</i>	<i>Supporting Services Management and General</i>		<i>Fundraising</i>	<i>Total</i>	<i>Program</i>	<i>Supporting Services Management and General</i>		<i>Fundraising</i>
Salaries and benefits	\$ 147,984	\$429,755	\$214,538	\$792,277	\$ 138,299	\$405,437	\$195,508	\$	739,244
Scholarships and academic programs	7,209,268	—	—	7,209,268	1,716,781	—	—	—	1,716,781
College & community relations	255,586	—	—	255,586	217,219	—	—	—	217,219
Depreciation	—	46,364	—	46,364	—	46,224	—	—	46,224
Board functions and development	—	113,373	—	113,373	—	54,863	—	—	54,863
Other operating expenses	—	50,506	—	50,506	—	54,763	—	—	54,763
Special event – A Taste for Learning	—	—	170,670	170,670	—	—	—	—	—
Community relations	—	31,371	—	31,371	—	42,755	—	—	42,755
Professional services	—	26,526	—	26,526	—	21,237	—	—	21,237
Supplies & materials	—	27,361	—	27,361	—	15,684	—	—	15,684
Donor recognition and correspondence	—	—	15,770	15,770	—	—	13,333	—	13,333
Travel	—	7,318	—	7,318	—	5,921	—	—	5,921
Fiduciary fees	—	5,289	—	5,289	—	5,200	—	—	5,200
Tuition reimbursement	11,328	—	—	11,328	3,892	—	—	—	3,892
Bad debt expense	—	—	—	—	—	3,500	—	—	3,500
Equipment	—	1,906	—	1,906	—	2,657	—	—	2,657
	\$7,624,166	\$739,769	\$400,978	\$8,764,913	\$2,076,191	\$658,241	\$208,841	\$	\$2,943,273

See accompanying independent auditors' report and notes to financial statements.

Valencia College Foundation, Inc.
(formerly Valencia Community College Foundation, Inc.)

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Valencia College Foundation, Inc. (the “Foundation”) was established in 1974 to serve as a direct support organization for Valencia College (“Valencia”) as provided in Section 240.331 of the Florida Statutes. Effective August 29, 2011, the Foundation changed its name from Valencia Community College Foundation, Inc. to Valencia College Foundation, Inc. The Foundation is included as a discretely presented component unit in the Valencia College financial statements.

The Foundation’s principal function is to receive, hold, invest and administer charitable contributions for Valencia College.

Basis of Preparation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted – Represents funds that are available without restriction for carrying out the Foundation’s objectives.
- Temporarily Restricted – Represents funds whose use has been limited by donors for time restrictions or specific purposes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- Permanently Restricted – Represents the nonexpendable portion of funds that are invested in perpetuity.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to their nearness of their maturity and resulting use of cash.

Valencia College Foundation, Inc.
(formerly Valencia Community College Foundation, Inc.)

Notes to Financial Statements

Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the dividend date.

Pledges Receivable

Pledges receivable are unconditional promises to give and are recorded when the promises to contribute are made. Pledges receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Foundation provides an allowance for uncollectible pledges based on management's assessment of the collectability of specific pledges.

Rental Property

Rental property is stated at cost. Depreciation of the building and improvements is calculated using the straight-line method over its estimated useful life of 32 to 40 years.

The cost of additions or improvements which substantially extend the useful life of the buildings are capitalized. Repair and maintenance costs are charged to expense. Upon sale or other disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Trust Liability

Trust liability represents an interest in a charitable gift annuity which requires that payments be made to the donors until deceased, at which time the remaining principal and income will become available for use by the Foundation. On an annual basis, the Foundation reviews the need to revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 8% and applicable mortality tables.

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Notes to Financial Statements

Contributions and Donor-Imposed Restrictions

Contributions, including unconditional promises to give, are recorded when made. Conditional promises to give are recognized when the conditions on which they depend are subsequently met. Unconditional promises to give due beyond one year are reported at the present value of their net realizable value, using risk-free rates applicable to the years in which the promises are to be received.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. If a temporary restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

In-Kind Contributions

Contributions of donated assets and services are recorded at their estimated fair market value at the date of receipt and are reflected as contributions in the accompanying statement of activities. Contributions of services are recognized only if such services create or enhance nonfinancial assets, would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills and would otherwise be purchased by the Foundation.

Rental Revenue and Deferred Revenue

Rent revenue is recognized on the straight-line basis over the terms of the respective leases. Rental payments received in advance are recorded as deferred revenue. Deferred revenue also includes sponsorships received for events that will take place in subsequent fiscal years.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Salaries and related payroll expenses are allocated among functional categories based on the estimated

Valencia College Foundation, Inc. (formerly Valencia Community College Foundation, Inc.)

Notes to Financial Statements

proportion of time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

Income Taxes

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

The Foundation identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Foundation has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Foundation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Foundation's remaining open tax years subject to examination by the Internal Revenue Service include the years ended March 31, 2009 through 2011.

Fair Value of Financial Instruments

The Foundation reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

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Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash, pledges due in one year or less, accounts payable and accrued expenses.

The Foundation's Level 1 financial instruments consist of investments as identified in Note 2 and are valued based on quoted market prices.

The Foundation's Level 2 financial instruments consist of the following:

- Florida Prepaid Tuition Scholarships of \$1,747,155 and \$1,429,875 as of March 31, 2012 and 2011, respectively, which are valued using the actuarial present value of the future contract benefits and expenses obligation. This valuation method reflects the present value of estimated contract benefits and expenses that will be paid in future years and is adjusted for the effects of projected tuition and fees and dormitory housing fees increases and termination of contracts.
- Trust liability of \$59,185 and \$76,194 at March 31, 2012 and 2011, respectively, which is valued using the present value of estimated future payments and mortality tables.
- Multi-strategy Fund-of-Funds of \$7,577,551 at March 31, 2011 that is valued at its net asset value as provided by the portfolio managers and may be redeemed on a quarterly basis with 65 days notice. In fiscal year 2012, the balance in this fund was transferred to a different Multi-strategy Fund-of-Funds as described as a Level 3 financial instrument below.

There were no Level 3 financial instruments as of March 31, 2011. The Foundation's Level 3 financial instruments as of March 31, 2012 consists of the following:

- Multi-strategy Fund-of-Funds of \$7,466,514 that is valued at its net asset value as provided by the portfolio managers and may be redeemed on a quarterly basis with 65 days notice subject to a one year soft lock-up period. Redemptions made prior to holding the position for 12 months will result in a 5% redemption penalty payable

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to the fund. The fund seeks to achieve long-term capital appreciation over a several year period with lower volatility than, and low correlation to, broad equity and fixed income indices.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, gains, other and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially expose the Foundation to concentrations of credit risk include cash balances in excess of federally insured deposit balances and investments.

The Foundation places its cash and cash equivalents with high quality financial institutions and has not experienced any losses on such accounts. At March 31, 2012, all non-interest bearing cash balances were fully insured due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning January 1, 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits.

The Foundation also has significant investments that are subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation and the investments are monitored for the Foundation by these same managers. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the investment policy is prudent for the long-term welfare of the Foundation.

Reclassifications

Certain amounts in the 2011 statement of activities have been reclassified to conform to the 2012 presentation. Such reclassifications had no effect on the change in net assets for the year ended March 31, 2011.

Valencia College Foundation, Inc.
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Notes to Financial Statements

2. Investments

The fair value of investments consists of the following:

<i>March 31,</i>	2012	2011
Level 1 Investments:		
Fixed income mutual funds	\$ 16,903,274	\$ 16,142,405
Equity mutual funds	20,952,253	19,685,383
International mutual funds	8,403,748	8,552,372
Total Level 1	46,259,275	44,380,160
Level 2 Investment:		
Multi-strategy fund of funds	-	7,577,551
Level 3 Investment:		
Multi-strategy fund-of-funds	7,466,514	-
	\$ 53,725,789	\$ 51,957,711

Fiduciary fees related to the investments for the years ended March 31, 2012 and 2011 were \$5,289 and \$5,200, respectively, as reflected in the statements of functional expenses. During the years ended March 31, 2012 and 2011, the Foundation received refunds of \$115,024 and \$62,078, respectively, for fiduciary fees that were overcharged in prior years which is included in other revenue, net on the statements of activities.

Activity for Level 3 investments is summarized as follows:

	<i>Multi-Strategy Fund-of-Funds</i>
Fair value, March 31, 2011	\$ -
Purchase of investments	7,556,783
Net realized/unrealized gain on investments	(90,269)
Fair value, March 31, 2012	\$ 7,466,514

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Notes to Financial Statements

3. Pledges Receivable

Pledges receivable consist of unconditional promises to give and are due as follows:

<i>March 31,</i>	2012	2011
Less than one year	\$ 806,500	\$ 487,500
One to five years	800,000	1,105,000
	1,606,500	1,592,500
Less unamortized discount (.2% – 3.2%)	(59,644)	(74,884)
Less allowance for doubtful accounts	(53,500)	(53,500)
Net pledges receivable	\$ 1,493,356	\$ 1,464,116

Substantially all of the Foundation's pledges receivable are due from donors in Central Florida.

4. Florida Prepaid Tuition Scholarships

Florida prepaid tuition scholarships consist of scholarships purchased by the Foundation as part of the Take Stock in Children program. The funds are to be used for college scholarships for selected individuals graduating from high school in Orange County. As the scholarships are awarded, they are recorded as program expense on the statement of activities. The prepaid scholarships are adjusted annually to the current value of the scholarships as provided by the Florida Prepaid College Foundation, Inc. Amounts used to purchase scholarships which go unused are refundable to the Foundation. During the years ended March 31, 2011 and 2012, the Foundation experienced an unrealized loss on Florida prepaid tuition scholarships of \$198,018 and \$273,241, respectively, which was recorded on the accompanying statements of activities.

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Notes to Financial Statements

5. Rental Property

Rental property consists of the following:

<i>March 31,</i>	2012	2011
Rental property:		
Land, Osceola property	\$ 2,603,062	\$ 2,603,062
Land, downtown center	185,184	185,184
Building and improvements, downtown center	1,639,172	1,639,172
Total rental property	4,427,418	4,427,418
Less accumulated depreciation	(1,295,935)	(1,251,492)
Rental property, net	\$ 3,131,483	\$ 3,175,926

6. Related Party Transactions

Lease Agreements

The Foundation leases its rental property, as described in Note 5, to Valencia under two leases that expire on November 18, 2052 and June 30, 2030. The rent specified in these leases may increase by an amount that is mutually determined and agreed upon by the Foundation and Valencia. The Foundation has received rents and reimbursement for certain operating expenses from Valencia related to these leases. These receipts were \$647,920 for each fiscal year ended March 31, 2012 and 2011 and are reflected as rental revenue on the accompanying statements of activities.

Accounts Payable and Accrued Expenses

Included in accounts payable and accrued expenses are amounts owed to Valencia for reimbursement of certain operating expenses as follows:

<i>March 31,</i>	2012	2011
Salaries and benefits	\$ 44,239	\$ 33,810
Academic support	334,158	368,858
	\$ 378,397	\$ 402,668

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Total expenses paid to Valencia for academic support for the years ended March 31, 2012 and 2011 amounted to \$1,461,804 and \$1,677,553, respectively, and are included in scholarships and academic programs on the statements of functional expenses.

Due from Valencia

Included in other assets are scholarship refunds and credit card donations of \$10,315 and \$38,425 processed by Valencia and due to the Foundation at March 31, 2012 and 2011, respectively. The Foundation typically receives the funds within thirty days.

Contributed Services

Contributed services from Valencia are recognized as contributions and management and general expenses in the statements of activities at their estimated fair values. In-kind contributions and expenses were comprised of the following:

<i>Year ended March 31,</i>	2012	2011
Salary support	\$370,518	\$261,395
Various general and administrative expenses	59,302	83,886
	\$429,820	\$345,281

7. Retirement Plan

Effective January 1, 2007, all employees of the Foundation were classified as employees of Valencia. Most employees working in regularly established positions of Valencia are covered by the Florida Retirement System ("FRS"). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (the "Plan"). FRS provisions are established by Chapters 121 and 122, Florida Statutes, Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal

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retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (“DROP”) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2011-2012 fiscal year were as follows:

<i>Class or Plan</i>	<i>Percent of Gross Salary</i>	
	<i>Employee</i>	<i>Employer (A)</i>
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Services	3.00	6.27
Deferred Retirement Option Program – applicable to members from all of the above classes or plan	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:

(A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

Contribution rates during the 2010-2011 fiscal year were as follows:

<i>Class or Plan</i>	<i>Percent of Gross Salary</i>	
	<i>Employee</i>	<i>Employer (A)</i>
Florida Retirement System, Regular	0	10.77
Florida Retirement System, Senior Management Services	0	14.57
Deferred Retirement Option Program – applicable to members from all of the above classes or plan	0	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:

(A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

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The Foundation's liability for participation is limited to its payments, reimbursed to Valencia, of the required contribution at the rates and frequencies established by law on future payrolls of Valencia. The Foundation's contributions for the years ended March 3, 2012 and 2011 totaled \$41,049 and \$66,099, respectively, which were equal to the required contributions for the fiscal year and are included in salaries and benefits on the accompanying statements of functional expenses.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>March 31,</i>	2012	2011
Scholarships	\$ 13,283,943	\$ 16,124,787
Academic program support	9,833,075	6,282,919
Capital projects – Osceola campus	–	5,000,000
Teaching chairs	1,918,393	614,607
Total	\$ 25,035,411	\$ 28,022,313

Temporarily restricted net assets released from restrictions are as follows:

<i>Year ended March 31,</i>	2012	2011
Scholarships	\$ 1,671,949	\$ 1,847,633
Academic program support	160,096	245,448
Capital projects – Osceola campus	5,000,000	–
Teaching chairs	127,873	74,942
Total	\$ 6,959,918	\$ 2,168,023

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Notes to Financial Statements

9. Permanent and Board-Designated Endowment Funds

The Foundation has donor restricted endowment funds that are restricted to investment in perpetuity and are recorded as permanently restricted net assets. The returns on the donor restricted endowment funds have been included in temporarily restricted investment income on the statement of activities since they are restricted by the donor for scholarships and academic program support. The general spending guideline is to support an annual payout of at least four percent from those accounts that have attained their minimum and expected level of donor contributions along with all applicable state, federal and any other matching monies due. Carry-over of unspent distributions and special payments in excess of the annual spending policy are allowable expenditures only with the special approval of the board of directors.

The Foundation has a board designated endowment fund recorded as unrestricted net assets which was designated by the Board in 2007 for the Title III East Campus Fund for which the earnings are designated for academic support and teaching chairs at Valencia's East Campus.

The endowment funds are invested in accordance with the investment policies of the Foundation in order to preserve and enhance the real purchasing (i.e., inflation-adjusted) power of the pooled investment fund while providing a relatively predictable, stable and constant, stream of earnings. The Foundation's performance objective is to grow the market value of assets net of inflation, administrative and investment expenses, over a full market cycle (generally defined as a five to seven year period) without undue exposure to risk. In quantitative terms, the objective is to earn a total return over inflation without exceeding a standard deviation of 1.2 times a weighted benchmark index. The benchmark index for the Foundation will be comprised of each asset class index weighted by its target allocation. It is also expected that the portfolio will outperform on a nominal or risk-adjusted basis this weighted benchmark index over a full market cycle.

In June 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). FUPMIFA establishes statutory law governing Florida not-for-profit corporation's management of investments and is effective for institutional funds existing on or established after July 1, 2012. The Foundation is currently evaluating the impact of FUPMIFA on its funds and has not yet determined the impact to the financial statements.

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Notes to Financial Statements

9. Permanent and Board-Designated Endowment Funds (Continued)

The Foundation's endowment net assets consist of following

<i>March 31, 2012</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor restricted endowment funds	\$ —	\$25,035,411	\$31,723,711	\$56,759,122
Board designated endowment fund	573,983	—	—	573,983
	\$573,983	\$25,035,411	\$31,723,711	\$57,333,105

<i>March 31, 2011</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor restricted endowment funds	\$ —	\$28,022,313	\$31,306,292	\$59,328,605
Board designated endowment fund	552,695	—	—	552,695
	\$552,695	\$28,022,313	\$31,306,292	\$59,881,300

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Notes to Financial Statements

9. Permanent and Board-Designated Endowment Funds (Continued)

Changes in the endowment net assets for the years ended March 31, 2012 and 2011 are as follows:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets at March 31, 2010	\$489,675	\$22,630,660	\$31,094,050	\$54,214,385
Contributions, support, other revenue and transfers	-	1,771,237	212,242	1,983,479
Net realized and unrealized gains	66,039	4,637,936	-	4,703,975
Interest and dividends	-	1,150,503	-	1,150,503
Net assets released from restriction	-	(2,168,023)	-	(2,168,023)
Distributions	(3,019)	-	-	(3,019)
Endowment net assets at March 31, 2011	552,695	28,022,313	31,306,292	59,881,300
Contributions, support, other revenue and transfers	-	2,411,260	417,419	2,828,679
Net realized and unrealized gains	24,405	318,148	-	342,553
Interest and dividends	-	1,243,608	-	1,243,608
Net assets released from restriction	-	(6,959,918)	-	(6,959,918)
Distributions	(3,117)	-	-	(3,117)
Endowment net assets at March 31, 2012	\$573,983	\$25,035,411	\$31,723,711	\$57,333,105

Valencia College Foundation, Inc.
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10. Subsequent Events

The Foundation has evaluated events and transactions occurring subsequent to March 31, 2012 as of August 9, 2012, which is the date the financial statements were available to be issued. Subsequent events occurring after August 9, 2012 have not been evaluated by management. No material events have occurred since March 31, 2012 that require recognition or disclosure in the financial statements, except as follows:

On April 13, 2012, the Foundation entered into an agreement to purchase certain property for \$3,100,000 for the benefit of Valencia College. The Foundation has made refundable deposits totaling \$910,000 with the balance to be paid in full upon closing. The due diligence phase on the property is underway and expires August 17, 2012. The Foundation expects to close on the transaction 10 days after the due diligence period ends. A portion of the investment funds will be liquidated and combined with current cash to pay for the property.

The Foundation board of directors have approved Valencia College's request to cancel their annual lease with the Foundation of \$200,000 on the Osceola land. The Osceola lease cancellation was effective as of July 1, 2012. Valencia College has agreed to provide additional operating support to replace the funds received from the Osceola lease.

In addition, effective July 1, 2012, the Foundation's board of directors approved that the lease agreement between the Foundation and Valencia College for the Downtown Center be revised and the annual lease payments be reduced from \$447,920 to \$294,000.



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
Valencia College Foundation, Inc.

We have audited the financial statements of Valencia College Foundation, Inc. (the "Foundation") as of and for the year ended March 31, 2012, and have issued our report thereon dated August 9, 2012. 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.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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*.

This report is intended solely for the information and use of management, the board of directors, Valencia College and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than those specified parties.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

August 9, 2012

CERTIFICATION OF PRIVATE CONTRIBUTIONS FOR FIRST GENERATION MATCHING GRANT PROGRAM

Valencia College Foundation, Inc.
CONTRIBUTIONS RECEIVED ON OR BEFORE DECEMBER 1, 2011

As required by the First Generation Matching Grant Program Guidelines, the following are the amounts of private contributions requested to be matched by state dollars. These private contributions, which are to provide scholarships for (a) an individual both of whose parents did not complete a baccalaureate degree; or (b) in the case of any individual who regularly resided with and received support from only one parent, an individual whose only such parent did not complete a baccalaureate degree. These funds were received on or before December 1, 2011 and have not been matched from previous state appropriations.

USE	FIRST GENERATION MATCHING GRANT (FGMG) TOTAL PRIVATE CONTRIBUTIONS RECEIVED BY DECEMBER 1, 2011
FGMG Scholarship Matching (100%)	\$151,562

Chapter 1011.85(4)(c), Florida Statutes, states: "The audit of each foundation receiving state funds from this program must include a certification of accuracy in the amount reported for matching funds."

Auditor Certification of Accuracy

This is to certify that the contributions reported in the certification of private contributions described above are accurate according to college records. The contributions reported were aligned with the mission of the college and certified by the college board of trustees. The funds were received by December 1, 2011 and have not been matched from previous state appropriations.

Cross, Fernandez & Riley, LLP

Signature of Foundation Auditor

August 9, 2012

Date

Cross, Fernandez & Riley, LLP

Please print name