

**Florida SouthWestern State College District Board of Trustees
Agenda Item Summary**

Meeting Date: 8/26/2014

1. Action Requested/Purpose: Approval to Accept the Audited Financial Report of Edison State College Foundation, Inc. for Fiscal Year Ended March 31, 2014

2. Fiscal Impact: ☐ Yes ☐ No ☒ N/A

3. Funding Source: Amount: \$

4. Administration Recommendation: The Administration recommends the Board of Trustees approval of the Edison State College Foundation, Inc. audited financial report for the fiscal year March 31, 2014.

5. Agenda Item Type:

- ☒ Action Item
☐ Consent Agenda
☐ Information Only
☐ Board Requested Information/Report

8. Requirement/Purpose (Include Citation)

- ☒ Statute: 1004.70
☐ Administrative Code
☐ Other

9. Background Information:

The audited financial report represents the activities and financial results of the Edison State College Foundation's operations for the fiscal year ended March 31, 2014. The financial report was prepared by the Edison State College Foundation in accordance with Generally Accepted Accounting Principles and audited by Tuscan & Company, PA Certified Public Accountants. As of March 31, 2014, the total assets of the Edison State College Foundation totaled \$48,953,286.

It is recommended that the Board of Trustees accept the audited financial report as presented.

Requested By:


Sr. Director: Administration & Development

Funding Verified by:


Vice President, Administrative Services

Approved For Agenda by:


President

EDISON STATE COLLEGE FOUNDATION, INC.

**BASIC FINANCIAL STATEMENTS
TOGETHER WITH THE REPORTS OF
INDEPENDENT AUDITOR**

**YEAR ENDED
March 31, 2014**

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TUSCAN
& Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants
Private Companies Practice Section
Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Edison State College Foundation, Inc.
8099 College Parkway, SW
Fort Myers, FL 33919

Report on the Financial Statements

We have audited the accompanying basic financial statements of Edison State College Foundation, Inc. (the "Foundation") (a not-for-profit corporation) a direct support organization and component unit of Edison State College, as of March 31, 2014 and for the year then ended, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Governmental Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

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no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Edison State College Foundation, Inc. as of March 31, 2014, and the changes in its financial position and its cash flows for the year then ended in conformity 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 required supplementary information - management's discussion and analysis on pages i-viii 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.

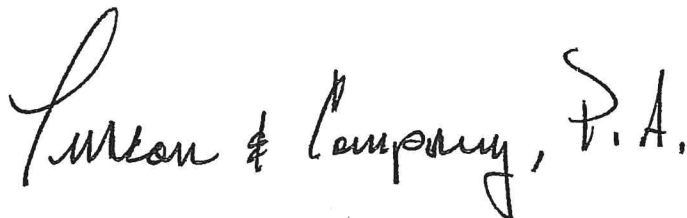
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Edison State College Foundation, Inc. The accompanying supplementary information - statement of net position by account type and statement of activities by account type as of and for the year ended March 31, 2014 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 type and statement of activities by account type as of and for the year ended March 31, 2014 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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, based on our audit, the procedures performed as described above, the statement of net position by account type and statement of activities by account type as of and for the year ended March 31, 2014 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 a report dated May 19, 2014, on our consideration of Edison State College Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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, in considering Edison State College Foundation, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
May 19, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

Edison State College Foundation, Inc.

A Component Unit of Edison State College MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

The management's discussion and analysis of Edison State College Foundation, Inc.'s (the Foundation) financial performance provides an overview of the Foundation's financial activities for the fiscal year ended March 31, 2014. It should be read in conjunction with the accompanying financial statements and related notes.

The Foundation is a direct support organization, as defined in Chapter 1004.70, Florida Statutes and component unit of Edison State College. The Foundation accepts gifts in support of the activities directly related to the mission of Edison State College, including cash, property, securities, bequests and trust and life income arrangements.

The Foundation promotes higher education in general, and specifically encourages the advancement of teaching and instruction services, student scholarships at Edison State College, as well as support for the Barbara B. Mann Performing Arts Hall.

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." The Foundation is considered a Business Type Activity (BTA) under the provision and reporting model of GASB Statements No. 34 and No. 35.

USING THIS ANNUAL REPORT

This report consists of three basic financial statements; the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. This report also includes the notes to the financial statements. These statements provide information on the Foundation as a whole and present a long-term view of the Foundation's finances.

FINANCIAL HIGHLIGHTS

The assets of the Foundation exceeded its liabilities on March 31, 2014 as follows:

- \$3,385,570 (unrestricted net assets) may be used to provide academic, community and college program support, as well as general and administrative support;
- \$23,110,223 (temporarily restricted net assets) represents funds whose use has been limited by donors for time restrictions or special purposes; and
- \$18,212,366 (permanently restricted net assets) is the non-expendable portion of funds that are subject to donor, grantor or other external party restrictions as to use.
- The Foundation's total net assets increased by \$2,286,030 during the 2013-14 fiscal year, from \$42,422,129 to \$44,708,159. The increase is attributable to a continued recovery from the recent years' investment market value decline along with a concerted effort to manage expenses.

The Foundation received no state matching funds for the year ended March 31, 2014. The State Matching Program was suspended June 30, 2011. See Financial Statement Note I.

Edison State College Foundation, Inc.
A Component Unit of Edison State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
March 31, 2014

Financial Highlights (cont'd)

The Foundation awarded \$1,476,016 in student scholarships and \$389,347 in academic support for fiscal year 2013-2014.

Total revenues and capital additions of \$5,774,082 included approximately \$950,000 in private support for scholarships, academic support funds, capital funding and unrestricted gifts and investment earnings (net) of \$4.4 million including unrealized gains.

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

These two statements report the Foundation's net position and the changes in this net position for the year. Over time, increases or decreases in the Foundation's net position is one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as the number of students that benefited from scholarships and loans awarded and the Foundation's role in assisting the College in its goals, also need to be considered in assessing the overall health of the Foundation.

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

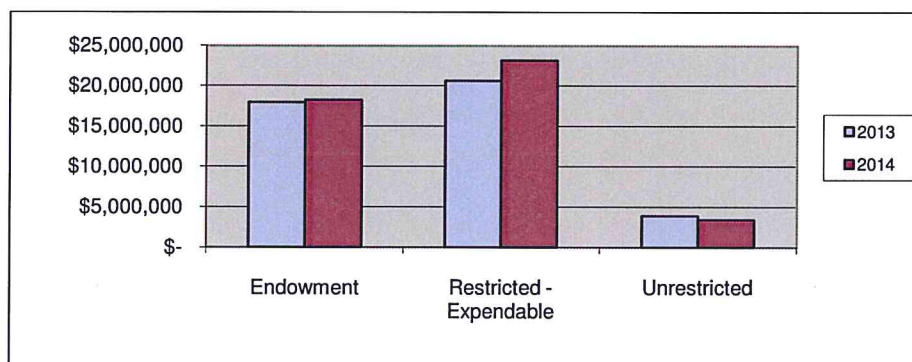
Assets, liabilities, and net position for the Foundation at March 31, 2013 and March 31, 2014 were as follows:

Assets	2013	2014
Current Assets	\$ 191,100	\$ 1,231,493
Noncurrent Assets	46,866,338	47,721,793
Total Assets	\$ 47,057,438	\$ 48,953,286
Liabilities		
Current Liabilities	\$ 170,629	\$ 239,713
Noncurrent Liabilities	4,464,680	4,005,414
Total Liabilities	4,635,309	4,245,127
Net Position		
Endowment	17,938,055	18,212,366
Restricted-Expendable	20,614,417	23,110,223
Unrestricted	3,869,657	3,385,570
Total Net Position	42,422,129	44,708,159
Total Liabilities and Net Position	\$ 47,057,438	\$ 48,953,286

Edison State College Foundation, Inc.
A Component Unit of Edison State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
March 31, 2014

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position (cont'd)

The Foundation's net position by category at March 31, 2013 and March 31, 2014 are displayed graphically below:



Comparative revenues and expenses of the Foundation for the fiscal year ended March 31, 2013 and March 31, 2014 are presented below:

	2013	2014
Operating Revenues:		
Private contributions and revenues	\$ 833,836	\$ 935,220
Contributed services, facilities, supplies	26,000	26,000
In-Kind donations	-	163,169
Total Operating Revenues	<u>859,836</u>	<u>1,124,389</u>
Less Operating Expenses	<u>2,987,035</u>	<u>3,488,052</u>
Operating Income (Loss)	<u>(2,127,199)</u>	<u>(2,363,663)</u>
Non-operating Revenues:		
Net investment income (loss)	1,184,520	1,681,723
Net realized/unrealized gains (losses) on investments	<u>1,966,325</u>	<u>2,730,909</u>
Total Non-operating Revenues	<u>3,150,845</u>	<u>4,412,632</u>
Income (Loss) Before Other Revenues (Expenses)	<u>1,023,646</u>	<u>2,048,969</u>
Capital Additions:		
Private contributions	48,803	237,061
Grants from governmental agencies	-	-
Total Other Revenues (Expenses)	<u>48,803</u>	<u>237,061</u>
Increase (Decrease) in Net Position	1,072,449	2,286,030
Net Position, Beginning of Year	<u>41,349,680</u>	<u>42,422,129</u>
Net Position, End of Year	<u>\$ 42,422,129</u>	<u>\$ 44,708,159</u>

Edison State College Foundation, Inc.
A Component Unit of Edison State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
March 31, 2014

**The Statement of Net Position and the Statement of
Revenues, Expenses, and Changes in Net Position (cont'd)**

The Foundation's significant activity in revenues, operating, nonoperating and endowment, are highlighted as follows:

Private contributions:

Private contributions, operating and endowment, totaled \$1,172,281 for the year ended March 31, 2014 compared to \$882,639 from the prior year.

Grants from governmental agencies:

During the year ended March 31, 2014, the Foundation received no funds from the Dr. Philip Benjamin Matching Grant Program from the State of Florida. Due to the State's financial condition, such funding was suspended during the fiscal year ended March 31, 2012 for donations received on or after June 30, 2011. These contributions are aligned with the mission of Edison State College and certified by the College's Board of Trustees.

Investment income and unrealized gains (losses) on investments:

Investment income consisting of interest and dividends, increased by \$497,203 from the prior year to \$1,681,723 for the year ended March 31, 2014. Realized and unrealized gains (losses) on investments increased by approximately \$764,584 from the prior year to \$2,730,909 for the year ended March 31, 2014.

Operating Expenses by Natural Classification

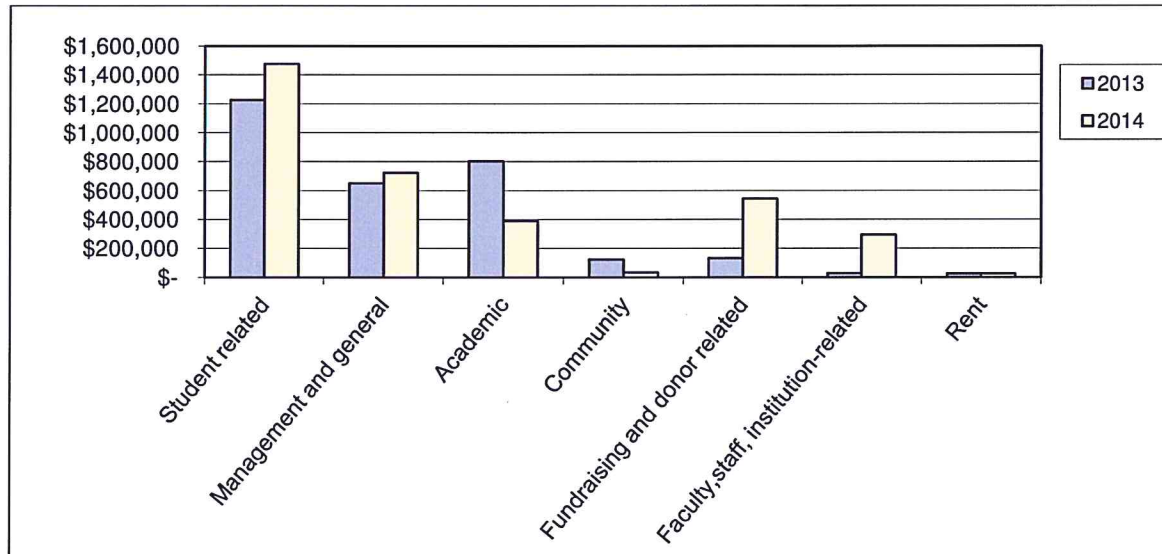
Operating expenses by natural classification for the Foundation for the fiscal year ended March 31, 2013 and March 31, 2014.

Operating Expenses:	2013	2014
Student Related	\$ 1,225,524	\$ 1,476,016
Management and general	650,939	724,413
Academic	801,746	389,347
Community	123,694	33,042
Fundraising and donor-related	132,096	294,451
Faculty and staff & Institution -related	27,036	544,783
Rent	26,000	26,000
Total Operating Expenses	\$ 2,987,035	\$ 3,488,052

Edison State College Foundation, Inc.
A Component Unit of Edison State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
March 31, 2014

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position (cont'd)

Depicted below is a comparison of operating expenses by natural classifications for the fiscal year ended March 31, 2013 and March 31, 2014.



Operating Expenses by Program Function

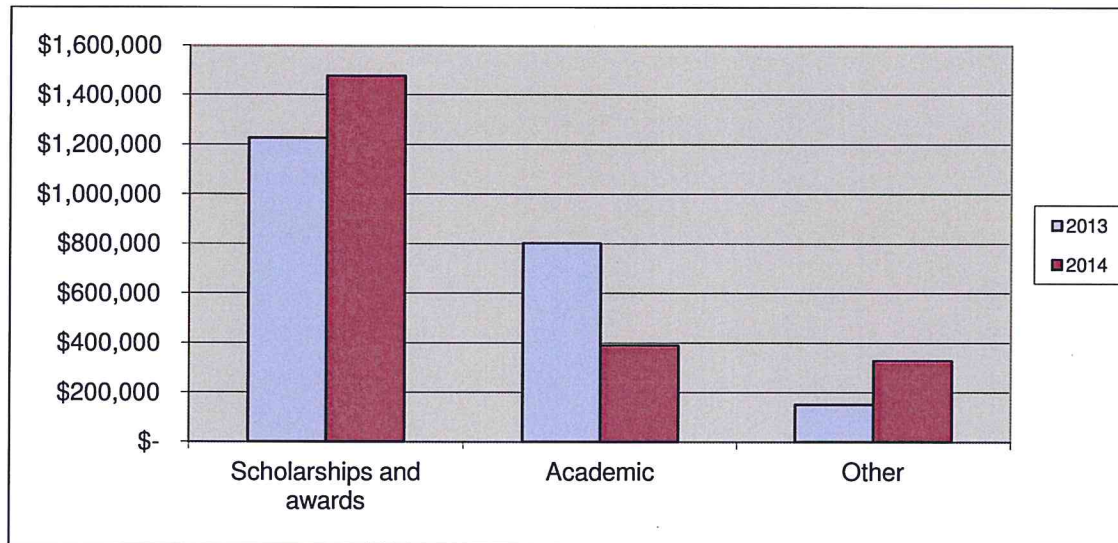
Total operating expenses presented by program function is also important for the Foundation. This presentation allows the Foundation to evaluate its goal of delivery of program services for the College. Therefore, a comparison of operating expenses by program function for the fiscal year ended March 31, 2013 and March 31, 2014 is presented as follows:

Operating Expenses:	2013	2014
Program Services:		
Scholarships and awards	\$ 1,225,524	\$ 1,476,016
Academic	801,746	389,347
Other	150,730	577,825
Total program expenses	2,178,000	2,443,188
Supporting services		
General Administration	676,939	750,413
Fundraising	132,096	294,451
Total supporting services	809,035	1,044,864
Total operating expenses	\$ 2,987,035	\$ 3,488,052

Edison State College Foundation, Inc.
A Component Unit of Edison State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
March 31, 2014

**The Statement of Net Position and the Statement of
Revenues, Expenses, and Changes in Net Position (cont'd)**

Depicted below is a comparison of program services for the fiscal year ended March 31, 2013 and March 31, 2014.



The Statement of Cash Flows

Another way to assess the financial health of an organization is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an organization during the fiscal year.

A summary of the Foundation's cash flows for the fiscal year ended March 31, 2014 is presented below.

Cash Flows	<u>2014</u>
Cash provided by (Used in):	
Operating activities	\$ (2,413,819)
Noncapital financing activities	(50,266)
Capital and related financing activities	787,061
Investing activities	<u>1,680,059</u>
Net increase (decrease) in cash	3,035
Cash and cash equivalents, Beginning of Year	<u>169,815</u>
Cash and cash equivalents, End of Year	<u><u>\$ 172,850</u></u>

Edison State College Foundation, Inc.
A Component Unit of Edison State College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
March 31, 2014

The Statement of Cash Flows (cont'd)

For the purpose of cash flows, cash and cash equivalents include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. Net cash received from operating activities (donors and revenues) was \$828,665. The difference in cash received compared with the total contributed is attributed to pledges. Cash used for operating activities was principally for the benefit of the College in the amount of \$3,242,484.

Cash flows from investing activities consist of interest and dividends in the amount of \$1,725,215 and the net of proceeds and purchases of securities for long term investments amounted to \$(1,664). Cash flows (net loss) on sale of the home in LaBelle, Florida was \$(43,492).

Debt Administration

During the year ended March 31, 2011, the Foundation purchased a parcel of land in Lee County contiguous to the west side of the Lee Campus. A strategic land acquisition on behalf of the College, the Foundation is holding the 8-acre property as an investment. The College has now indicated that it does not foresee the need for the land. As such, the Foundation listed the property for sale at \$1,250,000.

The Foundation also repays the College for the budgeted Foundation personnel costs as agreed upon annually. This repayment is paid on a quarterly basis.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Foundation continues to be optimistic about achieving greater community financial support in the coming year. As evidenced by the commencement of construction on the Hertz Corporate headquarters and increases in taxable sales and tourist taxes the Southwest Florida economy continues to improve.

Our long-term investment strategy, actively overseen by highly respected professional wealth managers and supervised by a local board of highly qualified community leaders, continues to provide a confidence that our endowments and other investments should meet or exceed the performance of selected benchmarks.

The Foundation is prepared to invest in additional development staff to capitalize on the attention the college will receive as a result of our July 1, 2014 name change to Florida SouthWestern State College as well as the impending return of athletics. The Foundation is ready to restructure itself as necessary to provide impactful financial resources to the College and its students.

EDISON STATE COLLEGE FOUNDATION, INC.
STATEMENT OF NET POSITION
March 31, 2014

Page 4 of 41

ASSETS	<u>Total</u>
CURRENT ASSETS	
Cash and cash equivalents (includes restricted cash of \$24,876)	\$ 172,850
Prepaid expenses	6,435
Unconditional promises to give, current	133,290
Investments - SEI, current	<u>918,918</u>
Total current assets	<u>1,231,493</u>
NONCURRENT ASSETS	
Investments - SEI	2,410,428
Restricted investments - SEI	41,148,102
Unconditional promises to give, noncurrent, net	2,700
Investments held in trust	2,905,414
Cash surrender value of life insurance	17,858
Investments - other	<u>1,237,291</u>
Total noncurrent assets	<u>47,721,793</u>
TOTAL ASSETS	<u>48,953,286</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	77,924
Accrued expenses	155,539
Note payable, current portion	-
Unearned Revenue	<u>6,250</u>
Total current liabilities	<u>239,713</u>
NONCURRENT LIABILITIES	
Note payable, net of current portion	1,100,000
Investments held in trust	<u>2,905,414</u>
Total noncurrent liabilities	<u>4,005,414</u>
TOTAL LIABILITIES	<u>4,245,127</u>
NET POSITION	
Net investment in capital assets	-
Restricted	
Restricted by donors - expendable	23,110,223
Permanent endowments - nonexpendable	18,212,366
Unrestricted	<u>3,385,570</u>
TOTAL NET POSITION	<u>\$ 44,708,159</u>

The accompanying footnotes are an integral part of this statement.

EDISON STATE COLLEGE FOUNDATION, INC.

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**For the Year Ended March 31, 2014**

	<u>Total</u>
OPERATING REVENUES	
Contributions, gifts and other revenues	\$ 935,220
In-Kind donation	163,169
Other income: donated facilities	<u>26,000</u>
Total operating revenues	<u>1,124,389</u>
OPERATING EXPENSES	
Program services	
Academic	389,347
Student-related scholarships	1,476,016
Community	33,042
Faculty and Institution-related	544,783
Management and general expenses	724,413
Fundraising and donor-related	294,451
Other expenses	
Rent: donated facilities	<u>26,000</u>
Total operating expenses	<u>3,488,052</u>
Operating loss	<u>(2,363,663)</u>
NONOPERATING REVENUES (LOSS)	
Interest and dividends	1,725,215
Net appreciation in investments	1,355,312
Net realized gain on investments	1,375,597
Net realized loss on sale of land	<u>(43,492)</u>
Net nonoperating revenues (loss)	<u>4,412,632</u>
Increase in net assets before capital additions	<u>2,048,969</u>
CAPITAL ADDITIONS	
Contributions to endowments	237,061
State match funds	<u>-</u>
Total capital additions	<u>237,061</u>
Increase in net position	2,286,030
NET POSITION, BEGINNING OF YEAR	<u>42,422,129</u>
NET POSITION, END OF YEAR	<u><u>\$ 44,708,159</u></u>

The accompanying footnotes are an integral part of this statement.

EDISON STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2014

	<u>Amount</u>
CASH FLOWS FROM	
OPERATING ACTIVITIES	
Cash received from donors and revenues	\$ 828,665
Cash paid to Edison State College, suppliers, and other educational institutions	<u>(3,242,484)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(2,413,819)</u>
CASH FLOWS FROM	
NON-CAPITAL FINANCING	
Capitalized interest, taxes and insurance paid	<u>(50,266)</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING	<u>(50,266)</u>
CASH FLOWS FROM	
CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions to endowments	237,061
Sale of land - cost	550,000
State match funds	<u>-</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>787,061</u>
CASH FLOWS FROM	
INVESTING ACTIVITIES	
Net purchases/proceeds of securities for long-term investment	(1,664)
Net loss on sale of land	(43,492)
Interest and dividend income	<u>1,725,215</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,680,059</u>
Increase in cash and equivalents	3,035
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>169,815</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 172,850</u></u>

Supplemental Disclosure of Non-cash Transactions:

The Foundation recorded donated rent income and expense of \$26,000 for the year ended March 31, 2014.

The accompanying footnotes are an integral part of this statement.

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED IN OPERATING ACTIVITIES**

	<u>Amount</u>
Operating loss	\$ (2,363,663)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in unconditional promises to give	(112,805)
(Increase) decrease in prepaid expenses	(6,435)
Increase (decrease) in accounts payable	57,971
Increase (decrease) in accrued expenses	4,863
Increase (decrease) in unearned revenue	<u>6,250</u>
Net Change	<u>(50,156)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (2,413,819)</u>

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Description of activities

Edison State College Foundation, Inc. (the "Foundation") was originally incorporated as Edison Community College Endowment Corporation, Inc. (the "Endowment Corporation"), a not-for-profit organization under the laws of the State of Florida on October 6, 1966.

On July 1, 1995, another direct support organization of Edison State College (the "College") known as The Foundation for the Performing Arts Hall, Inc. was merged with the Endowment Corporation. Immediately thereafter, the name of the Endowment Corporation was changed to Edison Community College Foundation, Inc. On July 1, 2004, the Foundation changed its name from Edison Community College Foundation, Inc. to Edison College Foundation, Inc. to reflect the College's name change. On November 10, 2008, the Foundation again changed its corporate name to Edison State College Foundation, Inc., consistent with the name change of the College.

On September 27, 2005, the Board of Directors approved a change in the Foundation's By-Laws to adopt an April 1 - March 31 fiscal year. The change was effective for March 31, 2006.

The Foundation is a direct support organization and a component unit of Edison State College (the "College"), as defined by State of Florida Auditor General Rule 10.700 and Florida Statute Chapter 1004.70. The Foundation is governed by its own independent District Board of Directors and is organized to receive, invest, and disburse funds for students pursuing their collegiate training at the College and to pay for instruction and other educational related activities at the College.

The Foundation District offices are located adjacent to the Lee County campus of the College in Fort Myers, Florida.

These financial statements also include the assets, liabilities, net assets and results of operations of the Edison State College Alumni Association (the "Alumni Association"), a program of the Foundation. The Alumni Association was established on March 30, 2011.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Summary of significant accounting policies

The following is a summary of the significant accounting policies used in the preparation of these basic financial statements.

Basis of accounting

The basic financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The Statement of Net Position (Net Assets) is presented in a classified format to distinguish between current and long-term assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position (Net Assets) is presented by major sources. The Statement of Cash Flows is presented using the direct method and is in compliance with Governmental Accounting Standards Board ("GASB") Statement No. 9 "Reporting Cash Flow Proprietary and Non-expendable Trust Funds". The Foundation follows FASB Statements and interpretations issued on or before November 30, 1989. The Foundation, also, follows FASB Statements and Interpretations issued after November 30, 1989 since it is a not-for-profit organization that acts as a direct service corporation of a Florida governmental entity, unless those pronouncements conflict with GASB pronouncements.

Financial statement presentation

The Foundation adheres to Governmental Accounting Standards including (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities," GASB Statement No. 37, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34, " and GASB Statement No. 38, "Certain Financial Statements Note Disclosures" which were first implemented by the Foundation for the year ended March 31, 2007. The Foundation is considered a Business Type Activity (BTA) under the provisions and reporting model of GASB Statements No. 34 and No. 35.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Financial statement presentation, continued

GASB Statements No. 34 and 35 established standards for external financial reporting which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows using the direct method. GASB Statements No. 34 and 35 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net assets into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets. Substantially, all such assets are owned by the College, not the Foundation. The College provides the Foundation with the use of capital assets at no cost. No amounts have been recorded for this benefit inasmuch as no objective basis to do so has been determined.
- Restricted - consists of assets that have constraints placed upon their use through external sources imposed either by donors, endowment agreements, or creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by liabilities to be paid from these assets.
- Unrestricted - consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

The adherence to this reporting model by the Foundation requires that the basic financial statements also include reports required by Government Auditing Standards and the Management's Discussion and Analysis section.

Cash and cash equivalents

The Foundation considers highly liquid, short-term investments purchased with an original maturity of three months or less to be cash equivalents.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Investments

Investments consist substantially of mutual funds. The mutual funds have been invested in a mix between domestic equity funds, international equity funds, hedge funds, and fixed income funds. All investments are carried at fair market value. From time to time, the Foundation may decide to sell unrestricted investments for liquidity or other valid business purposes.

Gains and losses are determined using the specific identification method when securities are sold and are not shown net of related expenses (custodial fees). Investment related expenses are included in management and general expenses on the Statement of Revenues, Expenses and Changes in Net Position. Unrealized appreciation or depreciation of these investments is recorded in the Statement of Revenues, Expenses and Changes in Net Position, as appropriate. Actual gains and/or losses (realized) are reflected separately on the Statement of Revenues, Expenses, and Changes in Net Position.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable

The Foundation accounts for its pledges in accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". GASB Statement No. 33 establishes reporting standards for nonexchange transactions, which in the case of the Foundation are unrestricted and restricted pledges to be received in the future. Under the provisions of GASB Statement No. 33, endowment pledges are not recognized.

Restricted assets

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to first apply the restricted resources, followed by the use of unrestricted resources.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recognition of donor restrictions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Donated facilities

The Foundation's office is provided by the College. The fair rental value of this facility has been recorded as donated facilities income and rent expense in accordance with FASB ASC 958-60-50-1 (formerly Statement of Financial Accounting Standards (SFAS) No. 116).

Donated equipment

Donations of equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. If the restricted funds are used to purchase assets that are placed in service in the reporting period, such support is reported as unrestricted.

Donated services

The Foundation recognizes donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended March 31, 2014, no amounts have been reflected in the statements for donated services, inasmuch as no objective basis is available to measure the value of such services. A number of volunteers, including the Board of Directors, however, have donated significant amounts of their time and expertise to the Foundation's programs and supporting services.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Office furniture and equipment

Significantly all furniture and equipment is provided to the Foundation free of charge by the College. No costs related to these benefits are reflected in the basic financial statements as no objective means to determine such value has been identified. Costs of office furniture and equipment purchased by the Foundation, if any, are charged to expense when incurred because the Foundation does not deem such amounts to be sufficiently material to warrant capitalization and depreciation. Such assets are donated to the College at the time of purchase. The College records such items as capital assets and acts as the capital asset custodian. Therefore, no "net investment in capital assets" net asset balance is reflected by the Foundation for office furniture and equipment.

Income taxes

No provision for income tax expense has been made in the accompanying basic financial statements since the Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Foundation reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. The informational tax returns (U.S. Form 990) for the prior three (3) fiscal years remain open for examination.

Risk management

It is the policy of the Foundation to purchase commercial insurance for forms of potential risks to which the Board believes that the entity is exposed.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Investments held in trust/deferred revenue

Investments held in trust are recorded at fair value on March 31, 2014. These investments generally consist of cash, equity securities, and fixed income securities. Deferred revenue consists of contributions or grants received by the Foundation with either time or eligibility requirements. The Foundation recognizes revenue, and the deferred revenue liability is removed, after the time restrictions have expired or the eligibility requirements have been met.

Operating income (loss)

The Foundation's operating income (loss) includes all revenues and expenses associated with the organization's daily activities. Interest and dividends, net (depreciation) appreciation and net realized gain/losses in investments are excluded from operating income and classified as nonoperating revenues or expenses. Contributions received for endowments or from State matching funds are also excluded from operating income and are classified as capital additions.

Interfund due to/from

Interfund receivables and payables consist of amounts paid by one fund on behalf of another and are reflected on the Statement of Net Assets by Account Type. The amounts are short term in nature and are eliminated on the Statement of Net Position.

Concentration of credit risk

During the year ended March 31, 2014, the Foundation maintained its cash at various financial institutions in bank deposits which, at times, may have exceeded federally-insured limits. The Foundation has not experienced any losses on such accounts. The Foundation believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the unconditional promises to give receivables relate to the small number of contributors in Southwest Florida. The Foundation does not anticipate credit losses related to the unconditional promises to give in the near future.

Management of the Foundation believes the concentration of credit risk with respect to the investments is mitigated by investing through a national investment manager in widely traded mutual funds.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, unconditional promises to give in less than one year, and accounts payable approximate fair value because of the short maturity of those financial instruments. Unconditional promises to give in excess of one year are reflected at actual dollar amount stated in the written promise. The carrying amounts (which are fair value) of long-term investments, including those held in trust for others, are based on values provided by an external investment manager, as traded and reported on a national market exchange.

Subsequent events

Subsequent events have been evaluated through May 19, 2014, which is the date the basic financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Foundation were \$172,850, including restricted cash of \$24,876, at March 31, 2014. Cash of \$24,876 is restricted to service the debt payments and other carrying costs related to the Lee County land parcel held.

The Foundation's policy allows deposits to be held in demand deposit and money market accounts. Bank balances approximate market value.

NOTE B - CASH AND CASH EQUIVALENTS, CONTINUED

Cash and cash equivalents (deposits) consist of the following at March 31, 2014:

	Carrying Amount	Bank Balance
Unrestricted		
Depository	\$ 20,296	\$ 50,707
Money Market	127,678	126,914
	<u>147,974</u>	<u>177,621</u>
Restricted		
Depository	24,876	24,876
Total	<u>\$ 172,850</u>	<u>\$ 202,497</u>

Concentration of custodial credit risk

The Foundation maintains its cash and cash equivalents, including its depository and money market accounts, in financial institutions. These assets are federally insured up to \$250,000 per financial institution through Federal Deposit Insurance Corporation (FDIC) and/or the Securities Investor Protection Corporation (SIPC).

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk.

The Foundation's cash and money market accounts are categorized as follows at March 31, 2014:

	Bank Balance
Amount covered by Federal Depository Insurance	\$ 202,497
Amount uninsured and uncollateralized	-
	<u>\$ 202,497</u>

Therefore, none of the Foundation's bank balance of \$202,497 at March 31, 2014, was exposed to custodial risk. The Foundation has experienced no losses in the past due to custodial credit risk.

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NOTE C - UNCONDITIONAL PROMISES TO GIVE, NET

At March 31, 2014, the Foundation had net unconditional promises to give of \$135,990 (net present value), of which \$133,290 were current and \$2,700 were noncurrent assets. Net unrestricted unconditional promises to give of \$6,600 of which \$3,900 is current. Net unconditional promises to give also includes \$129,390 which is current and temporarily restricted for scholarships, nursing and health programs, and other designated gifts. These amounts are deemed by management to be fully collectible. Amounts, prior to discount, are expected to be collected as follows:

<u>Year Ending March 31:</u>	<u>Amount</u>
2015	\$ 133,290
2016	1,400
2017	750
2018	550
	<u>\$ 135,990</u>

Net unconditional promises to give at March 31, 2014, were as follows:

	<u>Amount</u>
Receivable in less than one year	\$ 133,290
Receivable in one to five years	2,700
Total unconditional promises to give	135,990
Less unamortized discounts (net present value discount)	-
Net unconditional promises to give	<u>\$ 135,990</u>

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 0%. No discount rate was used as the promises to give are substantially current and the investment rate of return is currently minimal.

NOTE D - INVESTMENTS - SEI

All investments classified as "Investments - SEI" are recorded at quoted market value, level (1) fair value measurements, except for the hedge funds which are level (2) as listed on March 31, 2014. The Foundation's policy is to invest its assets in mutual funds, which generally hold equities, fixed income investments, hedge funds, and cash. The mutual fund target allocations are as follows:

<u>Asset Classes</u>	<u>Range</u>
Domestic Equity	20% - 40%
Large Cap	
Small Cap	
International Equity	10% - 20%
World Equity Fund	
Hedge Funds	0% - 25%
Fixed Income	20% - 40%
High Yield Bonds	
Core Fixed	
Emerging Debt	
Inflation Protection Assets	0% - 10%
Real Return	
Real Estate	
Cash or Cash Equivalents	0% - 10%

The asset allocation targets are long-term and provide for short-term divergences.

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NOTE D - INVESTMENTS - SEI, CONTINUED

The following is a summary of SEI investments held at March 31, 2014:

	Carrying Amount	Market Value
Uninvested Cash	\$ 23,440	\$ 23,440
Mutual Funds		
Hedge Funds:		
Offshore Opportunity Fund	6,413,077	6,413,077
Domestic Equities:		
Large Cap Disciplined	11,983,202	11,983,202
Small Cap	2,832,255	2,832,255
Fixed Income:		
Core Fixed Income	4,111,294	4,111,294
Institutional Invest. Bond	1,833,470	1,833,470
Emerging Markets Debt	1,911,151	1,911,151
Opportunistic Income Fund	2,261,279	2,261,279
Multi Asset Real Return Fund	2,291,630	2,291,630
Short Term Duration Govt	2,266,718	2,266,718
Ultra Short Duration Bond	456,716	456,716
International Equities:		
Emerging Mkts Equity Fund	1,926,069	1,926,069
World Equity	6,167,147	6,167,147
	<u>\$ 44,477,448</u>	<u>\$ 44,477,448</u>

The investments of \$44,477,448 are recorded on the Statement of Net Position and include unrestricted investments of \$3,329,346 and restricted investments of \$41,148,102.

For the year ended March 31, 2014, gross return on investments was 11.285% and 10.62% net of investment manager fees of \$167,184.

Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Foundation utilizes the services of investment managers, SEI and Private Trust Company, a wholly owned subsidiary of SEI Investments, for its investments. The investments held by these investment managers are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Foundation's name.

There were no losses during the period due to default by counterparties to investment transactions in the SEI Investments.

NOTE D - INVESTMENTS - SEI, CONTINUED

Interest rate risk

As a means of managing its exposure to fair-value losses arising from potentially increasing interest rates, the Foundation has established a target for the duration of its fixed income portfolio to be between 3 and 7 years.

As of March 31, 2014, the maturities of the Foundation's fixed income (mutual funds) investments of \$15,132,258 were available by percentage of its portfolio and are as follows:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 year	16.22%
1-3 yrs	18.56%
3-5 yrs	22.92%
5-7 yrs	18.40%
7-9 yrs	11.23%
9 + years	<u>12.67%</u>
Totals	<u>100.00%</u>

The investments held by the Foundation are part of large mutual funds and are not individual securities held by the Foundation. Therefore, disclosing actual maturities by fixed income investment security is not possible.

Credit risk

The Foundation's investments are held as part of large mutual funds. Therefore, it is not possible to isolate credit risk by actual security held, but rather by the mutual fund in total.

It is the Foundation's policy that the investment grade portion of the fixed income portfolio must be rated at the four (4) highest ratings (i.e.; single "A" or higher) or a comparable rating by Moody's or Standard & Poor's rating services, respectively. The high-yield portion of the fixed income portfolio will consist of below investment grade securities. There is no bottom limit on the ratings of the high-yield portfolio.

NOTE D - INVESTMENTS - SEI, CONTINUED

Credit risk, continued

At March 31, 2014, the Foundation's fixed income investments were rated as follows:

<u>Rating</u>	<u>% of Portfolio</u>
Aaa	64.03%
Aa	4.22%
A	13.30%
Baa	14.75%
Ba and below	2.82%
Not Rated	<u>0.88%</u>
	<u>100.0%</u>

Concentration of credit risk

The Foundation's policies state the non U.S. investment grade portion of the fixed income portfolio must consist of securities of non U.S. issuers located in at least three non U.S. countries. The Foundation's policies do not specifically limit the debt securities maturity dates.

The Foundation's investment policy prohibits the concentration of more than 5% of its investments in a single specific investment vehicle. Likewise, the Foundation cannot hold more than 5% of any specific issuer.

Other policies

The Foundation assesses a management fee on all unrestricted and restricted endowment funds for the purpose of funding the Foundation's operating budget. The fee is 2% of unrestricted investment funds and 2% of temporarily (expendable) and 2% of restricted (nonexpendable) endowment funds. Accordingly, the investments from which these fees are held for the next fiscal year are classified as a current asset of \$918,918.

The Foundation's investment performance expectations include the achievement of long-term investment results of an average annual real return of 6% above inflation as measured by the Consumer Price Index (CPI).

NOTE D - INVESTMENTS - SEI, CONTINUED

Equity-type mutual funds investments

The Foundation invests in various equity-type mutual funds investments. Investments are recorded at fair market value in accordance with the reporting requirements. All such investments are subject to various market and economic risk factors as well as the national and global economics and may lose value and/or principal. The Foundation's investment policy allows for investment in equity securities between 20% and 40% of the total market value.

NOTE E - INVESTMENTS HELD IN TRUST

Investments Held in Trust are offset by a liability until such time as the restrictive conditions are met. Investments Held in Trust at March 31, 2014, consist of the following:

	CARRYING AMOUNT	
	Unrestricted	Market Value
Cash and cash equivalents	\$ 3,699	\$ 3,699
Equity securities	14,477	14,477
Fixed income	584,098	584,098
Real estate	2,301,702 **	2,301,702
Commodities	1,438	1,438
	<u>\$ 2,905,414</u>	<u>\$ 2,905,414</u>

** Includes a life estate in real estate valued at \$2,300,000.

The equity and fixed income securities are valued at quoted market prices (fair value measurement) at March 31, 2014. Cash and cash equivalents are at actual reconciled balances at March 31, 2014 which is considered fair value.

Real estate held by the Foundation consists of one (1) parcel of land and home valued at \$2,300,000 on which the donor has a life estate. The real estate was valued at the date of donation during the year ended March 31, 2007. The additional \$1,702 in real estate consists of shares in real estate investments contained in money market funds. Since the Investments Held in Trust are offset by unearned revenue, no end of the year March 31, 2014 appraisal was performed.

NOTE E - INVESTMENTS HELD IN TRUST, CONTINUED

Custodial credit risk

For cash and 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 investment or collateral securities that are in the possession of an outside party.

The Foundation uses the services of investment managers Northern Trust and Bank of America for its Investments Held in Trust (except for cash held by escrow agent and real estate). The investments held by these investment managers are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Foundation's name.

In addition, the Foundation holds money market mutual funds as part of the "Investments Held in Trust" carried at \$3,699 at March 31, 2014. Investments in these money market mutual funds are not categorized as to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

There were no losses during the period due to default by counterparties to investment transactions in the Investments Held in Trust.

Interest rate risk

As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Foundation has established a target for the duration of its fixed income portfolio to be between 3 and 7 years.

The investments held by the Foundation are part of large mutual funds and are not individual securities held by the Foundation. Therefore, disclosing actual maturities by fixed income investment security is not possible.

As of March 31, 2014, the maturities of the Investments Held in Trust (fixed income only) were as follows:

<u>Investment Type</u>	<u>Market Value</u>	<u>Investment maturities</u>		
		<u>Less than 1 Yr.</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
US Govt. Obligations	\$ 10,398	\$ 10,398	\$ -	\$ -
U.S. Treasury Notes	573,700	-	528,054	45,646
Totals	<u>\$ 584,098</u>	<u>\$ 10,398</u>	<u>\$ 528,054</u>	<u>\$ 45,646</u>

NOTE E - INVESTMENTS HELD IN TRUST, CONTINUED

Credit risk

The Foundation's investments held in trust are held as part of large mutual funds. Therefore, it is not possible to isolate credit risk by actual security held, but rather by the mutual fund in total.

As of March 31, 2014, the Foundation's fixed income Investments Held in Trust were rated as follows:

Investment Type	Market Value			Total
	Mortgage Backed Securities	Govt. Obligations	US Treasury Notes	
AAA	\$ -	\$ -	\$ 573,700	\$ 573,700
*	-	10,398	-	10,398
	<u>\$ -</u>	<u>\$ 10,398</u>	<u>\$ 573,700</u>	<u>\$ 584,098</u>

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations.

* These investments are held in multiple fixed income mutual funds including US Government obligations which are rated from "AAA" to "Not Rated".

Concentration of credit risk

The Foundation's policies state that the non U.S. investment grade portion of the fixed income portfolio must consist of securities of non U.S. issuers located in at least three non U.S. countries. The Foundation's policies do not specifically limit the debt securities maturity dates.

The Foundation's investment policy prohibits the concentration of more that 5% of its investments in a single specific investment vehicle. Likewise, the Foundation can not hold more that 5% of any specific issuer.

Investments held in trust include various types of investments that are not insured. These investments are subject to market and economic factors that may result in loss of Foundation principal.

NOTE F - INVESTMENTS - OTHER

Investments - other, total \$1,237,291 at March 31, 2014, and consist of the following:

During the year ended March 31, 2011, real estate in Lee County, adjacent to the Lee County Campus, was purchased by the Foundation for future use by the College. At March 31, 2014, the fair market value of the land was \$1,237,291 and is recorded as Investments - Other. The College has notified the Foundation that it now does not intend to use this property. As such, the Foundation has listed the property for sale at \$1,250,000.

These investments are not insured, therefore are subject to market and economic factors that may result in loss of part or all of the Foundation's investment value.

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NOTE G - FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair market value in the accompanying Statement of Net Position at March 31, 2014, as follows:

Description	Carrying Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets Level (1)	Quoted Prices in Active Markets for Similar Assets Level (2)	Significant Unobservable Inputs Level (3)
Assets				
Mutual funds - SEI	\$ 38,064,371	\$ 38,064,371	\$ -	\$ -
Alternative investments -SEI	6,413,077	-	6,413,077	-
Money market funds	127,678	127,678	-	-
Variable life insurance policy	17,858	-	-	17,858
Promises to give receivable	135,990	-	-	135,990
Investments held in trust	2,905,414	605,414	-	2,300,000
Investments - other				
Land - Lee County	1,237,291	-	-	1,237,291
Total Assets	\$ 48,901,679	\$ 38,797,463	\$ 6,413,077	\$ 3,691,139
Liabilities				
Investments held in trust	\$ 2,905,414 (1)	\$ 605,414	\$ -	\$ 2,300,000
Total Liabilities	\$ 2,905,414	\$ 605,414	\$ -	\$ 2,300,000

(1) The fair value of these liabilities is based on the composite of the investment noted above.

Level (2) classifications consist of commingled funds where detailed holdings were available and the funds fair value could be determined based on market prices.

Level (3) classifications consist of the following:

Life Insurance Policies - are based on the cash surrender value at year end as valued by the insurance company.

NOTE G - FAIR VALUE MEASUREMENTS, CONTINUED

Promises to Give Receivable - Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 0%. No discount rate was used as the promises to give are substantially current and the investment rate of return is currently minimal.

Investments held in trust - Equity and fixed income securities held on mutual funds are classified at quoted market prices (level (1) fair value measurement) at March 31, 2014. Cash and cash equivalents are at actual reconciled balances at March 31, 2014. However, the cash and cash equivalents held in money funds along with individual bonds held within a trust are classified as level (3). Real estate held by the Foundation is classified as level (3) and consists of one (1) parcel of land and home valued at \$2,300,000 on which the donor has a life estate. The real estate was valued at the date of donation during the year ended March 31, 2007. The additional \$1,702 in real estate consists of shares in real estate investments contained in money market funds. Since the Investments Held in Trust are offset by unearned revenue, no end of the year March 31, 2014 appraisal was performed.

Land - Lee County - During the year ended March 31, 2011, real estate in Lee County, adjacent to the Lee County Campus, was purchased by the Foundation for future use by the College. At March 31, 2014 the fair market value of the land was \$1,237,291 and is recorded as Investments - Other. The land is currently listed for sale at a list price of \$1,250,000.

Fair value measurements

FASB ASC 820-10-50-1 through 820-10-50-8 (formerly Financial Accounting Standards Board Statement No. 157, "Fair Value Measurements") established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level (1) inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level (3) inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level (1) inputs because they generally provide the most reliable evidence of fair value.

NOTE G - FAIR VALUE MEASUREMENTS, CONTINUED

Fair value measurements, continued

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". This update provided amendments that require new disclosures of (a) transfers in and out of Levels 1 and 2 to include reasons for the transfers as well and (b) reconciliation for fair value measurements using significant unobservable inputs (Level 3) should be presented separately on a gross basis, rather than as one net number. This update also provided amendments that clarify existing disclosures such as the level of disaggregation for each class of assets and liabilities as well as disclosures about inputs and valuation techniques. The Foundation does not believe that the adoption of this update had a material impact on its financial statements.

Level (1) fair value measurements

The fair value of certain of the mutual funds is based on quoted net asset values in the shares held by the Foundation at year end.

Level (2) fair value measurements

Level (2) classifications consist of commingled funds where detailed holdings were available and the funds fair value could be determined based on market prices.

Level (3) fair value measurements

The land held for resale is not actively traded and significant other observable inputs are not available. Thus, the fair value of the land held for resale in Hendry County is based on the value established by the Property Appraiser of Hendry County. The land purchased for development, adjacent to the Lee County Campus, is based on the current listed sales price. The following table provides further details of the Level 3 fair value measurements.

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March 31, 2014

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NOTE G - FAIR VALUE MEASUREMENTS, CONTINUED

Level (3) fair value measurements, continued

Fair Value Measurement Using Significant Unobservable Inputs (Level 3)

	Lee County Property	Hendry County Property	Variable Life Insurance Policy	Pledges Receivable	Investments Held in Trust - Land
Beginning balance,					
April 1, 2013	\$ 1,187,025	\$ 550,000	\$ 17,415	\$ 23,185	\$ 2,300,000
Additions	50,266	-	-	134,640	1,702
Collected	-	(550,000)	-	(10,180)	-
Adjustments	-	-	-	(11,655)	-
Change in market value	-	-	443	-	-
Ending balance,					
March 31, 2014	<u>\$ 1,237,291</u>	<u>\$ -</u>	<u>\$ 17,858</u>	<u>\$ 135,990</u>	<u>\$ 2,301,702</u>

During the year ended March 31, 2009, the title to the parcel of land located in LaBelle, Florida (Hendry County property) was transferred to the Foundation upon the settlement of the estate of the donor. The parcel was previously recorded by the Foundation as an Investment Held in Trust with an offsetting deferred revenue liability. During the year ended March 31, 2011, the Board approved listing this parcel for sale. The property was sold during the year ended March 31, 2014.

During the year ended March 31, 2011, the Foundation purchased a parcel of land adjacent to the Lee County Campus. The College had intended to incorporate the Lee County parcel into its future expansion/growth development plan and the College had indicated it intended to purchase the parcel from the Foundation at the original purchase price plus all costs incurred to carry the property. Therefore, the Foundation had recorded the property as "Investments - Other", at the purchase price plus any costs incurred to carry the property. The College has now indicated that it does not foresee the need for the land. As such, the Foundation listed the land for sale during the year ended March 31, 2014 at a sales price of \$1,250,000.

NOTE H - RELATED PARTY TRANSACTIONS

Foundation personnel are employed by the College. The Foundation reimburses the College for the actual cost for these respective employees' salaries and the related payroll taxes and benefits. During the year ended March 31, 2014, the College billed the Foundation \$332,560 for these expenses which are recorded in the accompanying Statement of Revenues, Expenses and Changes in Net Position as part of management and general expenses.

The Foundation also paid the College \$ 2,181,080 for scholarships, certain construction and remodel costs and other academic costs during the year ended March 31, 2014. In addition, the Foundation recorded receivables due from the College at March 31, 2014 of \$29,390 and payables to the College at March 31, 2014 of \$111,493.

The Foundation's office space, phone, internet, furniture, and utilities are provided by the College. The fair value of the office space of \$26,000 has been recorded as donated facilities income and rent expense in the accompanying Statement of Revenues, Expenses and Changes in Net Position. No amounts have been recorded for the other occupancy costs, as no objective basis to do so has been determined.

NOTE I - CERTIFICATION OF UNMATCHED PRIVATE CONTRIBUTIONS

Due to economic factors and the resulting State budget constraints, the State of Florida, Department of Education, has yet to fund the Foundation's annual request for Dr. Philip Benjamin matching program for community colleges (Program Challenge Grant, CSFA #48.063) (Chapter 1011.85, Florida Statutes), for match of its private contributions.

During the year ended March 31, 2012, section 1011.85 Florida Statute was amended to suspend State matching funds for the Dr. Phillip Benjamin Matching Program for donations received on or after June 30, 2011.

**NOTE I - CERTIFICATION OF UNMATCHED PRIVATE CONTRIBUTIONS,
CONTINUED**

The following is a summary of the annual unfunded requests at June 29, 2011 (there was no change from the prior year as there was no change in State funding):

<u>Request for Period:</u>	<u>Amount</u>
February 2, 2007 through February 1, 2008	\$ 2,599,476
February 2, 2008 through February 1, 2009	3,654,070
February 2, 2009 through February 1, 2010	2,017,202
February 2, 2010 through February 1, 2011	1,286,901
February 2, 2011 through June 29, 2011	<u>1,480,756</u>
	<u>\$ 11,038,405</u>

These State match request amounts are not recorded as revenue or a receivable, because it is unclear as to whether such a receivable is collectible. The College certified the receipt of the contributions and submitted the requests per the State's instruction in the event that funds do become available. Additionally, per a State of Florida, Department of Education representative, an "Auditor's Certification of Accuracy" is not required for Dr. Philip Benjamin Matching Program Final Certification of Private Contributions as of February 1, 2008, as of February 1, 2009, as of February 1, 2010, as of February 1, 2011, or as of June 29, 2011 since State matching funds were not provided." Therefore, the "Auditor's Certification of Accuracy" is not included and bound herein.

**NOTE J - SUMMARY OF THE COMPONENTS OF INVESTMENTS HELD IN
TRUST**

At March 31, 2014, the Foundation had Investments Held in Trust (unearned revenue) of \$2,905,414 which consisted of the following:

NOTE J - SUMMARY OF THE COMPONENTS OF INVESTMENTS HELD IN TRUST, CONTINUED

During 1998 and 2000, a donor established two irrevocable charitable remainder annuity trusts with the Foundation naming it as a 60% beneficiary in the trust created in 1998 and the sole beneficiary in the trust created in 2000. Under the terms of the trusts, upon the death of the donor, the principal and income of the trusts will be distributed to the Foundation or its legal successor for their general tax-exempt purposes. Based on donor life expectancy and a 6% discount rate, the present value of future benefits expected to be received by the Foundation is estimated to be less than the total of the annual payouts of 7% to the donor; therefore, no amounts will be recorded to recognize revenue. The value of this investment at March 31, 2014, was \$28,450, and is recorded as Investments Held in Trust as both an asset and an offsetting unearned revenue liability.

In 2002, the Foundation established a pooled gift annuity for multiple donors. Following the death of the annuitants, the remainder balance will be distributed in a lump sum payment to the endowment fund of the Foundation. No amounts have been recorded to recognize revenue. The value of the investment at March 31, 2014, was \$576,964 and is recorded as Investments Held in Trust as both an asset and an offsetting deferred revenue liability.

During the year ended March 31, 2007, the Foundation became the beneficiary of a life estate trust. The donor has the right to live in the home until death. The Foundation then becomes sole beneficiary. This life estate was valued at \$2,300,000 at the date of donation which was during the year ended March 31, 2009 and continues to be recorded at such an amount.

The Foundation has chosen to record these Investments Held in Trust on the Statement of Net Position as an asset and a liability at March 31, 2014.

EDISON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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NOTE K - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended March 31, 2014:

	Balance April 1 2013	Additions	Retirements / Adjustments	Balance March 31 2014	Amounts Due Within One Year
Note Payable - Land	\$1,100,000	\$ -	\$ -	\$ 1,100,000	\$ -
	<u>\$1,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>

The following is a summary of the long-term obligations at March 31, 2014:

	<u>Amount</u>
\$1.1 million uncollateralized interest only note payable dated February 14, 2011, with a variable interest rate adjusted daily. Interest varies based on Prime Rate. The interest rate has a floor of 3.25% and a maximum of 18%. Interest is paid monthly to a financial institution. The loan proceeds were used to purchase the Lee County parcel held in "Investments - other". The note is due in full on February 14, 2016. Interest rate at March 31, 2014 was 3.25%.	<u>\$ 1,100,000</u>
TOTAL	<u>\$ 1,100,000</u>

EDISON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

Page 33 of 41

NOTE K - LONG-TERM LIABILITIES, CONTINUED

The annual debt service requirements at March 31, 2014, were as follows:

Year Ending	Lee County Parcel		Total	
	Principal	Interest	Principal	Interest
March 31				
2015	\$ -	\$ 35,750	\$ -	\$ 35,750
2016	1,100,000	35,750	1,100,000	35,750
	<u>\$ 1,100,000</u>	<u>\$ 71,500</u>	<u>\$ 1,100,000</u>	<u>\$ 71,500</u>

Interest expense of \$36,246 was capitalized as part of the cost of the Lee County parcel during the year ended March 31, 2014.

NOTE L - ENDOWMENT

The Foundation's endowment consists of approximately 300 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Temporarily restricted endowment net assets at March 31, 2014 are available for scholarships and academic chairs. Permanently restricted endowment net assets at March 31, 2014 represent donor-restricted donations that require the donated assets to remain in perpetuity; and, the Foundation does not have the right to the original principal.

NOTE L - ENDOWMENT, CONTINUED

Interpretation of relevant law

The Board of Directors of Edison State College Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the Foundation to manage the investment process in a prudent manner with regard to preserving principal while providing reasonable returns. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (4) the portion of investment return added to the permanent endowment to maintain purchasing power. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated by the Board for expenditure. In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund.
2. The purposes of the institution and the endowment fund.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the institution.
7. The investment policy of the institution.

Endowment Net Asset Composition by Type of Fund as of March 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 3,255,373	\$ 946,803	\$ 335,975	\$ 4,538,151
Donor-restricted endowment funds	<u>38,699</u>	<u>22,042,105</u>	<u>17,876,391</u>	<u>39,957,195</u>
Total Funds	<u>\$ 3,294,072</u>	<u>\$22,988,908</u>	<u>\$18,212,366</u>	<u>\$ 44,495,346</u>

EDISON STATE COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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NOTE L - ENDOWMENT, CONTINUED

Changes in Endowment Assets for the Year Ended March 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 3,130,419	\$ 20,619,707	\$ 17,975,306	\$ 41,725,432
Investment return:				
Investment income	129,381	1,595,733	-	1,725,114
Net depreciation (realized and unrealized)	203,774	2,527,136	-	2,730,910
Total investment return	333,155	4,122,869	-	4,456,024
Contributions	(22,500)	539,671	237,061	754,232
Receivable payments	-	5,000	-	5,000
Appropriation of endowment assets for expenditure	53,383	(2,716,483)	(37,250)	(2,700,350)
Other changes:	-	-	-	-
Transfers to reclassify endowment funds	(200,385)	418,144	37,249	255,008
Endowment assets, end of year	<u>\$ 3,294,072</u>	<u>\$ 22,988,908</u>	<u>\$ 18,212,366</u>	<u>\$ 44,495,346</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies may result from unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and continued appropriation for certain programs that is deemed prudent by the Board of Directors. There was no such deficiency, in aggregate, as of March 31, 2014.

NOTE L - ENDOWMENT, CONTINUED

Spending policy and how the investment objectives relate to spending policy

The amount to be distributed (spent) from the Foundation assets is reviewed annually by the Finance Committee and appropriate recommendations are made to the Executive Committee. It is expected that the annual amount to be distributed from Foundation invested assets will be at or between 4 percent and 5 percent of a three-year rolling average of year-end market values. The annual administrative fee, with a long-term spending rate determined by the Finance Committee, is also calculated on a three-year rolling average of year-end market values of the Fund. In establishing this policy, the Foundation considered long-term expected return on its endowment. For the long-term, the primary investment objective for the Fund is to earn a total return, net of fees and within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the Fund's assets and support the defined spending policy. Specifically, in compliance with FUPMIFA, unless otherwise specified or implied by a gift agreement or other document, at no time will spending invade the principal of endowed funds. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE M - FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by function for the year ended March 31, 2014, were as follows:

	<u>Amount</u>
Program services	\$ 2,469,188
Supporting services	724,413
Fundraising and donor related	294,451
	<u>\$ 3,488,052</u>

NOTE N - SUBSEQUENT EVENT

Effective July 1, 2014, Edison State College Foundation's name will change to Florida SouthWestern State College Foundation, Inc.. This name change enables the Foundation to be consistent with the approved name change for the College from Edison State College to Florida SouthWestern State College.

SUPPLEMENTARY INFORMATION

EDISON STATE COLLEGE FOUNDATION, INC.
STATEMENT OF NET ASSETS BY ACCOUNT TYPE
March 31, 2014

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 147,974	\$ 24,876	\$ -	\$ 172,850
Prepaid Expense	6,435	-	-	6,435
Due from other funds	-	-	-	-
Unconditional promises to give, current	3,900	129,390	-	133,290
Investment in SEI, current	918,918	-	-	918,918
Note receivable, current portion	-	-	-	-
Total current assets	1,077,227	154,266	-	1,231,493
NONCURRENT ASSETS				
Investments - SEI	2,410,428	-	-	2,410,428
Restricted investments - SEI	-	22,935,736	18,212,366	41,148,102
Unconditional promises to give, noncurrent, net	2,700	-	-	2,700
Investments held in trust	2,339,744	565,670	-	2,905,414
Cash surrender value of life insurance	17,858	-	-	17,858
Note receivable, net of current portion	-	-	-	-
Investments - other	-	1,237,291	-	1,237,291
Total noncurrent assets	4,770,730	24,738,697	18,212,366	47,721,793
TOTAL ASSETS	\$ 5,847,957	\$ 24,892,963	\$ 18,212,366	\$ 48,953,286
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 77,924	\$ -	\$ -	\$ 77,924
Accrued expenses	38,469	117,070	-	155,539
Due to other funds	-	-	-	-
Note payable, current portion	-	-	-	-
Unearned Revenue	6,250	-	-	6,250
Total current liabilities	122,643	117,070	-	239,713
NONCURRENT LIABILITIES				
Note payable, net of current portion	-	1,100,000	-	1,100,000
Investments held in trust	2,339,744	565,670	-	2,905,414
Total noncurrent liabilities	2,339,744	1,665,670	-	4,005,414
TOTAL LIABILITIES	2,462,387	1,782,740	-	4,245,127
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	-
Restricted				
Restricted by donors - expendable	-	23,110,223	-	23,110,223
Permanent endowments - nonexpendable	-	-	18,212,366	18,212,366
Unrestricted	3,385,570	-	-	3,385,570
TOTAL NET ASSETS	3,385,570	23,110,223	18,212,366	44,708,159
TOTAL LIABILITIES AND NET ASSETS	\$ 5,847,957	\$ 24,892,963	\$ 18,212,366	\$ 48,953,286

The accompanying footnotes are an integral part of this statement.

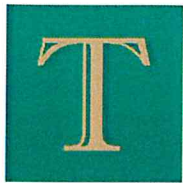
EDISON STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES BY ACCOUNT TYPE
For the Year Ended March 31, 2014

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions, gifts and other revenues	\$ 395,549	\$ 539,671	\$ 237,061	\$ 1,172,281
Dividend and interest income	129,440	1,595,775	-	1,725,215
Net unrealized gain on investments	101,283	1,254,029	-	1,355,312
Net realized gain on sale of investments	102,491	1,273,106	-	1,375,597
In-Kind donation	163,169	-	-	163,169
Loss on sale of property	(43,492)	-	-	(43,492)
Other income: donated facilities	26,000	-	-	26,000
	<u>874,440</u>	<u>4,662,581</u>	<u>237,061</u>	<u>5,774,082</u>
Reclassification	(506,393)	469,143	37,250	-
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>670,197</u>	<u>(670,197)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, SUPPORT	<u>1,038,244</u>	<u>4,461,527</u>	<u>274,311</u>	<u>5,774,082</u>
EXPENSES				
Academic	34,205	355,142	-	389,347
Student-related	411,316	1,064,700	-	1,476,016
Community	33,042	-	-	33,042
Faculty and institution-related	216,717	328,066	-	544,783
Management and general	569,745	154,668	-	724,413
Fundraising and donor-related	231,306	63,145	-	294,451
Depreciation	-	-	-	-
Rent: donated facilities	26,000	-	-	26,000
TOTAL EXPENSES	<u>1,522,331</u>	<u>1,965,721</u>	<u>-</u>	<u>3,488,052</u>
INCREASE (DECREASE) IN NET ASSETS	(484,087)	2,495,806	274,311	2,286,030
NET ASSETS, BEGINNING OF YEAR	<u>3,869,657</u>	<u>20,614,417</u>	<u>17,938,055</u>	<u>42,422,129</u>
NET ASSETS, END OF YEAR	<u>\$ 3,385,570</u>	<u>\$ 23,110,223</u>	<u>\$ 18,212,366</u>	<u>\$ 44,708,159</u>

The accompanying footnotes are an integral part of this statement.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**



TUSCAN
& Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants
Private Companies Practice Section
Tax Division

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

Board of Directors
Edison State College Foundation, Inc.
8099 College Parkway, SW
Fort Myers, FL 33919

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 of America, the basic financial statements which comprise the statement of net position as of March 31, 2014 and the related statements of revenue, expenses and changes in net position and cash flows of Edison State College Foundation, Inc. (the "Foundation") for the year ended March 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 and have issued our report thereon dated May 19, 2014.

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.

INTEGRITY SERVICE EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

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 Edison State College Foundation Inc.'s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edison State College Foundation, Inc.'s basic 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 basic 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 internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Tuscan & Company, P.A.".

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

May 19, 2014

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Directors
Edison State College Foundation, Inc.
8909 College Parkway, SW
Fort Myers, FL 33919

In planning and performing our audit of the basic financial statements of Edison State College Foundation, Inc. (the "Foundation"), as of and for the year ended March 31, 2014, we considered the Foundation's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. In connection with our audit, we are submitting the following comments and recommendations in accordance with Government Auditing Standards. These comments and recommendations are submitted for your review and consideration. Items noted during the audit and recommendations are designed to help the Foundation make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to Edison State College Foundation, Inc.

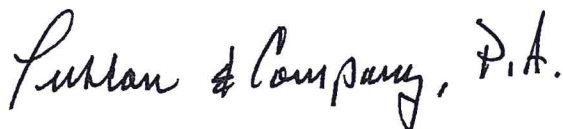
PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

No financially significant comments noted.

CURRENT YEAR COMMENTS:

No financially significant comments noted.

This report is intended solely for the information and use of the Board of Directors, management, the Auditor General of the State of Florida, and other Federal and State agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
May 19, 2014

INTEGRITY SERVICE EXPERIENCE

EXHIBIT



June 10, 2014

Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

We are providing this letter in connection with the audit of Edison State College Foundation, Inc. for the fiscal year ended March 31, 2014.

The Independent Auditor's Report to Management did not disclose any findings. In addition, the accompanying audit report did not include any prior audit findings.

If you have any questions or need additional information, please feel free to contact me or Debra Kivel, Director of DSO Finance, 239/489-9210.

Sincerely,

Kevin S. Miller
Executive Director, ESC Foundation

cc: Tuscan & Company, P.A.
Certified Public Accountant/Consultants
12621 World Plaza Lane, Bldg 55
Fort Myers, FL 33907