



November 16, 2009

## MEMORANDUM

**TO:** District Board of Trustees  
**FROM:** William D. Law, Jr., President  
**SUBJECT:** Direct Support Organizations - Audit Reports

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### **Item Description:**

All Direct Support Organizations (DSO) affiliated with Tallahassee Community College must have annual Financial Audits conducted.

### **Overview:**

These financial audits are provided to the Board for their review annually.

### **Salient Facts:**

The audits are conducted in compliance with Section 11.45(8), Florida Statutes.

### **Past Actions:**

The Board last reviewed the DSO Financial Audits on January 26, 2009 for the previous fiscal year.

### **Future Actions:**

The Board will be provided Financial Audits for future years.

### **Funding/Financial Matters:**

No funding required.

### **Staff Resource:**

Teresa Smith

### **Recommended Action:**

Information only.

**TALLAHASSEE COMMUNITY COLLEGE  
FOUNDATION, INC.  
Tallahassee, Florida**

**FINANCIAL STATEMENTS  
Years Ended March 31, 2009 and 2008**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Tallahassee Community College Foundation, Inc.  
Tallahassee, Florida

We have audited the accompanying statements of financial position of Tallahassee Community College Foundation, Inc. (a non-profit organization) as of March 31, 2009 and 2008, and the related statements of activities 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Tallahassee Community College Foundation, Inc. as of March 31, 2009 and 2008, and the change in its net assets 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 October 12, 2009 on our consideration of Tallahassee Community College Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 result of our audit.

*Thomson Brock Luger + Company*

October 12, 2009



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**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 25,599	\$ 28,369
Short-term investments	5,072,490	4,972,809
Contributions receivable	105,631	111,977
Long-term investments	5,849,490	7,259,223
Furniture, fixtures & equipment, net	21,704	526
Land held for sale and investment	1,057,000	1,846,867
Collectibles	<u>1,360</u>	<u>1,360</u>
	<b>\$ <u>12,133,274</u></b>	<b>\$ <u>14,221,131</u></b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ <u>257,298</u>	\$ <u>23,995</u>
Net Assets		
Unrestricted	242,047	479,042
Temporarily restricted	7,450,777	9,718,924
Permanently restricted	<u>4,183,152</u>	<u>3,999,170</u>
	<b><u>11,875,976</u></b>	<b><u>14,197,136</u></b>
	<b>\$ <u>12,133,274</u></b>	<b>\$ <u>14,221,131</u></b>

See accompanying notes.

**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended March 31, 2009 and 2008**

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS &amp; OTHER SUPPORT</b>								
In-kind contributions	\$ 416,338	\$ 85	\$ —	\$ 416,423	\$ 317,003	\$ —	\$ —	\$ 317,003
Investment income	(10,931)	(2,265,566)	—	(2,276,497)	167,114	(147,403)	—	19,711
Private contributions	38,766	853,484	148,698	1,040,948	65,033	701,864	64,014	830,911
State matching contributions	24,798	339,274	—	364,072	62,446	555,495	—	617,941
Miscellaneous	—	9,625	—	9,625	910	849	—	1,759
Special events	19,590	1,660	—	21,250	21,618	13,735	—	35,353
Net assets released from restrictions:								
Satisfaction of program restrictions	1,195,554	(1,195,554)	—	—	1,284,552	(1,284,552)	—	—
Satisfaction of time restrictions	15,812	(15,812)	—	—	14,109	(14,109)	—	—
Transfers	(39,941)	4,657	35,284	—	(10,000)	(106,204)	116,204	—
	<u>1,659,986</u>	<u>(2,268,147)</u>	<u>183,982</u>	<u>(424,179)</u>	<u>1,922,785</u>	<u>(280,325)</u>	<u>180,218</u>	<u>1,822,678</u>
<b>EXPENSES</b>								
Educational activities	1,305,311	—	—	1,305,311	1,426,313	—	—	1,426,313
General and administrative expenses	292,277	—	—	292,277	243,261	—	—	243,261
Fund raising expenses	299,393	—	—	299,393	208,683	—	—	208,683
	<u>1,896,981</u>	<u>—</u>	<u>—</u>	<u>1,896,981</u>	<u>1,878,257</u>	<u>—</u>	<u>—</u>	<u>1,878,257</u>
<b>CHANGE IN NET ASSETS</b>	(236,995)	(2,268,147)	183,982	(2,321,160)	44,528	(280,325)	180,218	(55,579)
<b>BEGINNING NET ASSETS, as restated</b>	479,042	9,718,924	3,999,170	14,197,136	434,514	9,999,249	3,818,952	14,252,715
<b>ENDING NET ASSETS</b>	<u>\$ 242,047</u>	<u>\$ 7,450,777</u>	<u>\$ 4,183,152</u>	<u>\$ 11,875,976</u>	<u>\$ 479,042</u>	<u>\$ 9,718,924</u>	<u>\$ 3,999,170</u>	<u>\$ 14,197,136</u>

See accompanying notes.

**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended March 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Support from private and public	\$ 1,413,505	\$ 1,516,126
Investments	<u>233,634</u>	<u>425,488</u>
	1,647,139	1,941,614
Payments for scholarships and suppliers	<u>( 1,229,464)</u>	<u>( 1,559,255)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>417,675</u>	<u>382,359</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	( 24,599)	-
Purchases of investments	( 288,580)	( 1,860,688)
Redemption of certificates of deposits	( 139,657)	1,306,125
Proceeds from sale of investments	<u>32,391</u>	<u>39,856</u>
CASH USED IN INVESTING ACTIVITIES	<u>( 420,445)</u>	<u>( 514,707)</u>
DECREASE IN CASH	( 2,770)	( 132,348)
CASH AT BEGINNING OF YEAR	<u>28,369</u>	<u>160,717</u>
CASH AT END OF YEAR	\$ <u>25,599</u>	\$ <u>28,369</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$( 2,321,160)	\$( 55,579)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	1,734,249	710,508
Unrealized loss on land held for sale and investment	789,867	-
Realized (gain) loss on sale of investments	( 13,983)	( 304,731)
Depreciation	3,421	394
Non cash contribution	( 14,368)	-
(Increase) decrease in:		
Pledges receivables	6,346	30,162
Receivables and advances		-
Increase (decrease) in:		
Accounts payable	<u>233,303</u>	<u>1,605</u>
CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>417,675</u>	\$ <u>382,359</u>
SUPPLEMENTARY NON CASH DISCLOSURE:		
Marketable securities	\$ 10,000	\$ -
Furniture and equipment	<u>4,368</u>	<u>-</u>
	\$ <u>14,368</u>	\$ <u>-</u>

See accompanying notes.



**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities** - Tallahassee Community College Foundation, Inc. was incorporated on February 23, 1981 as a Florida non-profit corporation under the provisions of 1004.70 Florida Statutes - Community College Direct Support Organizations. The Foundation was organized to aid the advancement of Tallahassee Community College and to support attending students by means of academic scholarships and student loans. The Foundation receives revenue primarily from private contributions, state matching contributions, donated services from the college, and fund raising events.

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

**Basis of Accounting** - The financial statements for the Foundation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

**Contributions** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 reported in the Statement of Activities as net assets released from restrictions.

**Furniture, Fixtures and Equipment** - Furniture, fixtures and equipment is recorded at cost or its fair market value at date donated to the Foundation. Depreciation is provided for over the assets estimated useful lives of three to ten years on a straight-line basis.

**Collectibles** - Inexhaustible collectibles consist of silver trays and paintings, and are valued at their fair market value at the date of the gifts. Collectibles that are exhaustible are capitalized and included with property and equipment in the financial statements.

**Income Taxes** - The Foundation is a tax exempt organization as defined by the Internal Revenue Code under Section 501(c)(3) and is taxed only on unrelated business income. Accordingly, no provision has been made for income taxes.

**Advertising Costs** - The Foundation expenses advertising costs as incurred.

**Cash Equivalents** - For purposes of the statement of cash flows, the Foundation considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.



**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

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

**Investment Income** - Unless stipulated by donor agreement, investment income earned on temporarily restricted assets is recognized as unrestricted investment income.

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

**Reclassification** - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

**NOTE 2 - RELATED PARTY TRANSACTIONS**

Personnel and certain facility costs are provided to the Foundation by the College. For years ended March 31, 2009 and 2008, the Foundation has recorded these donated services at \$361,702 and \$288,173 for personnel services and \$28,830 and \$28,830 for facility costs, respectively.

**NOTE 3 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of unconditional promises to give for the Foundation's Major Gifts Campaign and College Employee Giving Program. The present value of estimated future cash flows has been calculated using a discount rate of 6%, after providing for collection losses. A summary of contributions to be collected follows:

	<u>2009</u>	<u>2008</u>
2009	\$ 43,456	\$ 68,854
2010	49,135	39,690
2011	24,249	26,977
2012	15,775	15,995
2013	<u>6,540</u>	<u>14,055</u>
	139,155	165,571
Less:		
Allowance for collection losses	( 24,764)	( 44,172)
Discounts for time-value money	<u>( 8,760)</u>	<u>( 9,422)</u>
	<u>\$ 105,631</u>	<u>\$ 111,977</u>

**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

**NOTE 4 - INVESTMENTS**

Investments are carried at market or appraised value, realized and unrealized gains and losses are reported in the statements of activities. Investment activity for the years ended March 31, 2009 and 2008 is summarized in the table below:

	<u>2009</u>	<u>2008</u>
Investments, Beginning Balance	\$ 12,232,032	\$12,123,102
Purchases, net	176,578	124,308
Dividends and interest	233,634	390,399
Realized gains/(losses)	13,983	304,731
Unrealized gains/(losses)	<u>(1,734,247)</u>	<u>( 710,508)</u>
Investments, Ending Balance	<u>\$ 10,921,980</u>	<u>\$ 12,232,032</u>

As of March 31, 2009 and 2008, investments are held in the following financial instruments:

	<u>Adjusted Basis</u>	<u>Market Value</u>	<u>Unrealized Losses</u>
<u>March 31, 2009</u>			
Smith Barney investment pool	\$ 7,555,297	\$ 5,849,490	\$( 1,705,807)
SBA - LGIP Fund B	141,684	113,244	( 28,440)
Money market account	4,719,589	4,719,589	-
Certificates of deposit	<u>239,657</u>	<u>239,657</u>	<u>-</u>
	<u>\$ 12,656,227</u>	<u>\$ 10,921,980</u>	<u>\$( 1,734,247)</u>

Smith Barney investment pool consists of forty-five percent (45%) of certificates of deposit, fifty-two percent (52%) of marketable equity securities and indices and three percent (3%) of demand deposits as of March 31, 2009.

SBA - LGIP Fund B consists of one hundred percent (100%) of variable and fixed rate corporate commercial paper and notes as of March 31, 2009.

	<u>Adjusted Basis</u>	<u>Market Value</u>	<u>Unrealized Losses</u>
<u>March 31, 2008</u>			
Smith Barney investment pool	\$ 7,921,143	\$ 7,259,222	\$( 661,921)
SuperNow Money Market account	4,237,092	4,237,092	-
SBA - LGIP Fund A	13,231	13,231	-
SBA - LGIP Fund B	413,023	364,436	( 48,587)
Money market account	258,051	258,051	-
Certificates of deposit	<u>100,000</u>	<u>100,000</u>	<u>-</u>
	<u>\$ 12,942,540</u>	<u>\$ 12,232,032</u>	<u>\$( 710,508)</u>



**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

**NOTE 4 – INVESTMENTS (Continued)**

Smith Barney investment pool consists of fifty-one percent (51%) of certificates of deposit, thirty-two percent (32%) of marketable equity securities, ten percent (10%) of corporate and government bonds and seven percent (7%) of demand deposits as of March 31, 2009.

SBA - LGIP Fund A consists of forty-nine percent (49%) of corporate variable rate notes, thirty-three percent (33%) of repurchase agreements, ten percent (10%) of various variable rate notes, and eight percent (8%) of commercial paper as of March 31, 2009.

SBA - LGIP Fund B consists of forty-nine percent (49%) of money market variable rate liquidity notes, twenty-one percent (21%) of corporate variable rate notes, seventeen percent (17%) of money market variable rate certificates, and thirteen percent (13%) of commercial paper as of March 31, 2009.

**NOTE 5 - LAND HELD FOR SALE AND INVESTMENT**

In accordance with the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, nonfinancial assets are measured at fair value on a nonrecurring basis for the year ended March 31, 2009, using quoted prices in markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total 3/31/2009	Total Gain (Loss)
Land held for sale	\$ -	\$ 934,000	\$ -	\$ 934,000	\$( 766,000)
Land held for investment	-	123,000	-	123,000	( 23,867)
	\$ -	\$ 1,057,000	\$ -	\$ 1,057,000	\$( 789,867)

Both properties were independently appraised on June 18, 2009 and considered a Level 2 measurement. Management has determined the valuations to be effective as of March 31, 2009 as market conditions had not significantly changed nor were there any subsequent events that impacted the values of either property. The impairment charge to write down the nonfinancial assets to their fair value results in a current year loss in the amount of \$(789,867) and included in current year's change in net assets as an unrealized loss.

**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

**NOTE 6 - FURNITURE, FIXTURES AND EQUIPMENT**

The amount of furniture, fixtures and equipment at March 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Furniture, fixtures and equipment	\$ 26,258	\$ 5,380
Less accumulated depreciation	( 4,554)	( 4,854)
	<u>\$ 21,704</u>	<u>\$ 526</u>

Depreciation expense for the years ended March 31, 2009 and 2008 amounted to \$3,421 and \$394, respectively.

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of March 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Time Restricted:		
Contributions receivable	\$ 105,631	\$ 111,977
Land contribution	934,000	1,700,000
Restricted Contributions for Scholarships and Academic Support	4,800,096	4,635,279
Restricted Earnings and State Matching for Endowment Scholarships and Academic Support	<u>1,611,050</u>	<u>3,271,668</u>
	<u>\$ 7,450,777</u>	<u>\$ 9,718,924</u>

**NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets as of March 31, 2009 and 2008 are restricted to investments in perpetuity, the earnings and state matching funds from which is expendable to support academic scholarships and support to the Tallahassee Community College:

	<u>2009</u>	<u>2008</u>
Restricted Contributions for Endowed Scholarships and Academic Support	\$ <u>4,183,152</u>	\$ <u>3,999,170</u>



**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

**NOTE 9 – ENDOWMENTS**

The Foundation's endowments consist of seventy-eight donor restricted funds and one board designated, unrestricted fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Foundation is governed by Florida Statute Chapter 1010.10 - *Florida Uniform Management of Institutional Funds Act*. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) has not been enacted in the State of Florida. Unless a donor imposes a restriction to the contrary, all endowment funds at the Foundation adhere to the spending policy adopted by the Foundation's Board of Directors. Florida Statute does not require preservation of the fair value of the original gift, but rather specifically states that spending may include investment appreciation as well as principal.

With regard to donor restricted endowments, the Foundation respects and enforces the donor's restriction to preserve the historic gift value of the fund.

**Endowment Spending Policy** - The maximum endowment spending is equal to 4% of a five year moving average of endowment fund balances for the most recent fiscal year end back. If an endowment does not have five years of historical returns, then the fiscal year end balance would be averaged to the extent available. The payout is subject to the following provisions:

1. No disbursement will be made if the endowment fund balance is less than corpus, defined as donor restricted contributions to be held in perpetuity, at the time of the spending calculation.
2. The endowment spending payout is limited to the lesser of the maximum endowment spending calculated above, or the amount by which the endowment fund balance exceeds corpus

**Endowment Investment Policy** - The endowment investment policy adopted by the Foundation's Board of Directors seeks long-term growth of principal to preserve and grow Foundation assets, cover expenses, and maintain the approved spending rate of the funds. The Foundation maximizes the probability that the funds will meet or exceed an annualized target rate of return, adjusted for inflation, by having a target rate of return equal to the Board-adopted spending policy's percentage amount plus inflation plus expenses. The Board of Directors considers and seeks to minimize appropriate risks when managing the funds and selecting investment strategies. The strategies for achieving the Foundation's investment objectives include a well-diversified portfolio, target allocations in each investment category, guidelines and restricted investments, benchmarks for performance of each asset class, low fees, performance measurement, regular monitoring, and detailed reports.

**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

**NOTE 9 – ENDOWMENTS (Continued)**

Endowment net asset composition by type of fund as of March 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 1,611,050	\$ 4,183,152	\$ 5,794,202
Unrestricted, board designated funds	<u>1,329</u>	<u>-</u>	<u>-</u>	<u>1,329</u>
	<u>\$ 1,329</u>	<u>\$ 1,611,050</u>	<u>\$ 4,183,152</u>	<u>\$ 5,795,531</u>

Changes in endowment net assets for the year ended March 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 3,271,668	\$ 3,999,170	\$ 7,270,838
Contributions and transfers	1,669	158,571	183,982	344,222
Investment income	27	170,109	-	170,136
Net depreciation	( 358)	( 1,691,454)	-	( 1,691,812)
Amounts appropriated for expenditure	<u>( 9)</u>	<u>( 297,844)</u>	<u>-</u>	<u>( 297,853)</u>
	<u>\$ 1,329</u>	<u>\$ 1,611,050</u>	<u>\$ 4,183,152</u>	<u>\$ 5,795,531</u>

**NOTE 10 - PRIOR PERIOD ADJUSTMENT AND RECLASSIFICATION**

As of April 1, 2007, beginning unrestricted net assets have been restated to correct an error that resulted from the omission of recording donated property at its fair value at the date of the gift. In addition, beginning temporarily restricted and permanently restricted net assets have been reclassified to properly reflect the cumulative state matching of endowment contributions as temporarily restricted and available to expend for scholarships and academic support. Details of the prior period adjustment and reclassification are as follows:



**TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

**NOTE 10 - PRIOR PERIOD ADJUSTMENT AND RECLASSIFICATION (Continued)**

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>
As previously reported, April 1, 2007	\$ 287,647	\$ 7,233,752	\$ 6,584,449
Donated land	146,867	-	-
Cumulative state matching contributions	<u>-</u>	<u>2,765,497</u>	<u>(2,765,497)</u>
As restated, April 1, 2007	<u>\$ 434,514</u>	<u>\$ 9,999,249</u>	<u>\$ 3,818,952</u>

**NOTE 11 - CONCENTRATIONS OF CREDIT RISK**

The Foundation maintains cash balances at several financial institutions located in Leon County, Florida. Accounts are either insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000 as of March 31, 2009 and 2008, respectively, Florida Statute Chapter 280, Security for Public Deposits and the Security Investor Protection Corporation up to \$500,000. At March 31, 2009 and 2008, the Foundation's uninsured cash balances amounted to \$0 and \$4,580,596, respectively.

The Foundation also maintains a concentration of credit risk of excess cash held in short-term investments with the State Board of Administration's Local Government Investment Pool. These funds are invested in uninsured short-term money market funds, commercial paper, repurchase agreements and corporate variable rate notes. As of March 31, 2009 and 2008, the Foundation maintains uninsured balances with the SBA in the amount of \$190,271 and \$426,252, respectively.

**NOTE 12 - COMMITMENTS**

As of March 31, 2009 and 2008, the Foundation maintains programmatic grant commitments to the College in the amount of \$444,785 and \$579,433 for promises to give conditional upon the College's satisfaction of compliance with donor/grantor restrictions.

**MEMBERS**

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*Certified Public Accountants and Business Advisors*

HAROLD A. BROCK, JR., C.P.A.  
MATTHEW R. HANSARD, C.P.A.  
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LINDA V. SIMPSON, C.P.A.

OF COUNSEL  
W. FREDERICK THOMSON, C.P.A.

**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  
Tallahassee Community College  
Foundation, Inc.  
Tallahassee, Florida

We have audited the financial statements of Tallahassee Community College Foundation, Inc. (a nonprofit organization) as of and for the year ended March 31, 2009, and have issued our report thereon dated October 12, 2009. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Tallahassee Community College Foundation, Inc.'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 Tallahassee Community College Foundation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tallahassee Community College Foundation's financial statements are free of material misstatements, 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 provision was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tallahassee Community College Foundation in a separate letter dated October 12, 2009.

This report is intended solely for the information and use of the audit committee, management, others within the organization and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Thomson Brock Kugec + Company*

October 12, 2009

**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**Tallahassee, Florida**

**FINANCIAL STATEMENTS**  
**Years Ended March 31, 2009 and 2008**

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OF COUNSEL  
W. FREDERICK THOMSON, C.P.A.

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Public Safety Academy Housing, Inc.  
Tallahassee, Florida

We have audited the accompanying statements of financial position of Public Safety Academy Housing, Inc. as of March 31, 2009 and 2008, and the related statements of activities and change in net deficits and cash flows for the years then ended. These financial statements are the responsibility of the Public Safety Academy Housing, Inc.'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 from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial 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 Public Safety Academy Housing, Inc. as of March 31, 2009 and 2008 and the change in net deficits 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 a report dated August 11, 2009 on our consideration of Public Safety Academy Housing, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 result of our audit.

The management's discussion and analysis on page 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Thomson Brock Raper + Company*

August 11, 2009

**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**Management's Discussion and Analysis**

The discussion and analysis of Public Safety Academy Housing Inc.'s (PSAH) financial statements provides an overview of the financial activities for the year ended March 31, 2009. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains activities of the PSAH for fiscal years 2008 and 2009.

PSAH was incorporated on February 26, 2003, as a direct support organization of Tallahassee Community College for the purpose of financing and construction a housing facility at the College's Pat Thomas Law Enforcement Academy. The housing facility was financed by a \$9 million mortgage note and was completed on January 4, 2007. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. All revenues generated by the facility are retained by the College. In exchange, PSAH receives a monthly lease payment in the amount of its mortgage payment (\$61,659).

By design, PSAH was limited in its establishment to obtaining the financing and constructing the housing facility, with all post completion activities to be the responsibility of the College. Accordingly, 2009 financial activities consist of monthly lease receipts, mortgage payments and the recognition of certain costs (depreciation, amortization) incurred during prior years but recognized as current year expenses. The nature of PSAH's future activities can be expected to remain consistent with those of the 2009 fiscal year.

See independent auditors' report.

**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2009 and 2008**

<u><b>ASSETS</b></u>		
	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 10,912	\$ 79,222
Other receivable	5,868	5,868
Lease receivable	<u>61,659</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>78,439</u>	<u>85,090</u>
 <b>PROPERTY AND EQUIPMENT, Net</b>	 7,616,470	 7,939,720
 <b>OTHER ASSETS</b>		
Organizational costs, net	113	225
Deferred loan cost, net	<u>151,210</u>	<u>160,660</u>
	 <u>\$ 7,846,232</u>	 <u>\$ 8,185,695</u>
 <u><b>LIABILITIES AND NET DEFICIT</b></u>		
 <b>CURRENT LIABILITIES</b>		
Accrued interest payable	\$ 37,516	\$ 38,874
Current portion of mortgage notes payable	<u>306,025</u>	<u>289,344</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>343,541</u>	<u>328,218</u>
 <b>LONG-TERM LIABILITIES</b>		
Mortgage note payable	<u>7,688,194</u>	<u>7,993,938</u>
<b>TOTAL LIABILITIES</b>	<u>8,031,735</u>	<u>8,322,156</u>
 <b>NET DEFICIT</b>		
Invested in capital assets, net of related debt	( 226,539)	( 182,902)
Unrestricted	<u>41,036</u>	<u>46,441</u>
	<u>( 185,503)</u>	<u>( 136,461)</u>
	 <u>\$ 7,846,232</u>	 <u>\$ 8,185,695</u>

See accompanying notes.



**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICITS**  
**Years Ended March 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUE		
Lease income	\$ 739,913	\$ 739,928
OPERATING EXPENSES		
Depreciation and amortization expense	332,813	332,812
Contractual services	6,603	5,497
Bank fees	<u>47</u>	<u>124</u>
	<u>339,463</u>	<u>338,433</u>
OPERATING INCOME	400,450	401,495
NONOPERATING INCOME (EXPENSE)		
Interest expense	( 449,492)	( 465,999)
	<u>( 449,492)</u>	<u>( 465,999)</u>
CHANGE IN NET ASSETS	( 49,042)	( 64,504)
BEGINNING NET DEFICITS	( 136,461)	( 71,957)
ENDING NET DEFICIT	\$( <u>185,503</u> )	\$( <u>136,461</u> )

See accompanying notes.

**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended March 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Rents and fees collected	\$ 678,254	\$ 739,928
Payments to vendors	( 6,650)	( 11,489)
Payments for interest expense	( 450,851)	( 467,278)
 <b>NET CASH PROVIDED BY     OPERATING ACTIVITIES</b>	 <u>220,753</u>	 <u>261,161</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	( 289,063)	( 272,634)
 <b>NET CASH USED IN FINANCING ACTIVITIES</b>	 ( 289,063)	 ( 272,634)
 <b>NET DECREASE IN CASH</b>	 ( 68,310)	 ( 11,473)
 <b>CASH AT BEGINNING OF YEAR</b>	 <u>79,222</u>	 <u>90,695</u>
 <b>CASH AT END OF YEAR</b>	 <u>\$ 10,912</u>	 <u>\$ 79,222</u>
 <b>RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Changes in net assets	\$( 49,042)	\$( 64,504)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	332,813	332,812
(Increase) decrease in:		
Lease receivable	( 61,659)	-
Other receivable	-	( 5,868)
(Decrease) increase in:		
Accrued interest payable	( 1,358)	( 1,279)
 <b>NET CASH PROVIDED BY     OPERATING ACTIVITIES</b>	 <u>\$ 220,754</u>	 <u>\$ 261,161</u>

See accompanying notes.

**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009 and 2008**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**

**Formation and Nature of Business**

Public Safety Academy Housing, Inc. (the "Organization") was incorporated on February 26, 2003 as a direct support organization of Tallahassee Community College (College), within the meaning of Section 240.331, Florida Statutes, or any successor provision. The Organization was formed, among other purposes, to make available housing to participants in programs affiliated with the Pat Thomas Law Enforcement Academy. At the direction of the Board of Trustees of Tallahassee Community College, income derived by the Organization, subject to the assignment of revenue and other amounts derived from the operation of the facility, may be transferred to the Tallahassee Community College.

A summary of significant accounting policies follows:

**Basis of Accounting** - The Organization follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recognized when incurred.

**Property and Equipment** - Cost directly associated with the construction of the housing complex including interest incurred from financing during the construction period is capitalized to the cost of the building and depreciation is provided over the building's estimated life of 39 years on a straight line basis.

Equipment is recorded at cost and depreciated over its estimated useful lives of five to seven years on a straight line basis.

**Income Taxes** - The Public Safety Academy Housing, Inc. has been granted tax exempt status under a four year advance ruling period by the Internal Revenue Service as a 501(c)(3) entity. Accordingly, no provision has been made for income taxes.

**Cash Equivalents** - For purposes of the statement of cash flows all highly liquid instruments with a maturity of three months or less are considered to be cash equivalents.

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



**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009 and 2008**

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

**Election to Apply FASB Statements** - The Organization has elected to apply all FASB Statements and interpretations issued after November 30, 1989, except for those that conflict with GASB pronouncements, as permitted by GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting."

**NOTE 2 - RELATED PARTY TRANSACTIONS**

On May 21, 2004, Tallahassee Community College entered into a long term lease to rent ten acres of land to Public Safety Academy Housing, Inc. in order to build the housing complex. Terms of the lease grants Public Safety Academy Housing, Inc. the use of the land for a 99 year term at less than fair market value rates of \$1 each year, paid in advance.

In November 2005, Public Safety Academy Housing, Inc. executed an agreement with Tallahassee Community College to operate the housing complex. Terms of the agreement include monthly lease revenue amounting to \$61,659 through June 30, 2008; with automatic annual lease renewals unless thirty day prior notice of cancellation is given by either party. Total lease income earned amounted to \$739,913 and \$739,928 for the years ended March 31, 2009 and 2008, respectively.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2009 and 2008, is summarized as follows:

	<u>2009</u>	<u>2008</u>
Building	\$ 8,098,760	\$ 8,098,760
Furniture and equipment	<u>577,950</u>	<u>577,950</u>
	8,676,710	8,676,710
Accumulated depreciation	<u>(1,060,240)</u>	<u>( 736,990)</u>
	<u>\$ 7,616,470</u>	<u>\$ 7,939,720</u>

Depreciation expense for the years ended March 31, 2009 and 2008 amounted to \$323,250 for each year, respectively.

**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009 and 2008**

**NOTE 4 - MORTGAGE NOTE PAYABLE**

Mortgage note payable as of March 31, 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u>
<p>\$9,000,000 mortgage note payable executed May 21, 2004 with Gadsden County, Florida and assigned to a commercial lender; bearing interest at 5.45%; payable interest only for initial twelve months then monthly installments of principal and interest in the amount of \$61,659; maturing May 21, 2025. Note is collateralized by a leasehold mortgage in real estate and first priority security interest in all personal property located at the facility. Note is also collateralized by assignment of rents and leases related to housing facility.</p>	\$ 7,994,219	\$ 8,283,282
<p>Less current portion</p>	( <u>306,025</u> )	( <u>289,344</u> )
	\$ <u>7,688,194</u>	\$ <u>7,993,938</u>

As of March 31, 2009, the scheduled maturities of the mortgage note payable was as follows:

March 31, 2010	\$ 306,025
2011	323,073
2012	340,316
2013	360,672
2014	381,115
Thereafter	<u>6,283,018</u>
	<u>\$ 7,994,219</u>

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**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  
Public Safety Academy Housing, Inc.  
Tallahassee, Florida

We have audited the financial statements of Public Safety Academy Housing, Inc. as of and for the years ended March 31, 2009 and 2008, and have issued our report thereon dated August 11, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Public Safety Academy Housing, Inc.'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 Public Safety Academy Housing, Inc.'s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Public Safety Academy Housing, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than an a remote likelihood that a misstatement of the organization's financial statements is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. (2009-1 and 2009-2)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance

As part of obtaining reasonable assurance about whether the financial statements of Public Safety Academy Housing, Inc. are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 on noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and state regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Thomson Brock Luger + Company*

August 11, 2009

**PUBLIC SAFETY ACADEMY HOUSING, INC.**  
**SCHEDULE OF FINDINGS**  
**Year Ended March 31, 2009**

**SIGNIFICANT DEFICIENCIES**

**Finding  
Number**

**2009-1     Segregation of Duties**

Finding: Because of a limited number of available personnel, it is not always possible to adequately segregate incompatible duties so that no one person has access to both physical assets and the related accounting records, or to all phases of a transaction.

Recommendation: Whenever possible, duties should be segregated so that no one person has access to all phases of a transaction. To mitigate management's inability to adequately segregate its financial duties, we recommend the Board should consider the use of its Treasurer or College Business office staff to timely review the monthly bank statements and bank reconciliations prepared by management.

**Finding  
Number**

**2009-2     Timely preparation of Bank Reconciliation**

Finding: We noted during our audit that the bank reconciliations of the operating account was not being performed on a timely basis. Sound internal controls require timely reconciliation of the monthly bank statements by management and reviewed by someone independent of the person performing the reconciliation.

Recommendation: We recommend that upon receipt of the monthly bank statement that management perform a bank reconciliation that agrees to its financial ledger and that an independent review of the monthly reconciliation be performed timely.

**TALLAHASSEE COMMUNITY COLLEGE  
HOUSING, INC.  
Tallahassee, Florida**

**FINANCIAL STATEMENTS  
Years Ended June 30, 2009 and 2008**



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**OF COUNSEL**  
W. FREDERICK THOMSON, C.P.A.

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Tallahassee Community College Housing, Inc.  
Tallahassee, Florida

We have audited the accompanying statements of financial position of Tallahassee Community College Housing, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Tallahassee Community College Housing, Inc.'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 from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial 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 Tallahassee Community College Housing, Inc. as of June 30, 2009 and 2008 and the changes in its net assets 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 a report dated September 4, 2009 on our consideration of Tallahassee Community College Housing, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 result of our audit.

*Thomson Brock Luger + Company*

September 4, 2009

Member Firm



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**TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 46,163	\$ 49,780
Current portion of escrow deposit investments	428,134	378,400
Accrued interest on escrow deposit investments	<u>157,058</u>	<u>166,210</u>
TOTAL CURRENT ASSETS	631,355	594,390
 <b>OTHER ASSETS</b>		
Long-term escrow deposit investments	6,240,048	6,677,458
Bond issue costs (less accumulated amortization of \$210,601 and \$198,016, respectively)	<u>163,615</u>	<u>176,201</u>
	<u>\$ 7,035,018</u>	<u>\$ 7,448,049</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ -	\$ 5,868
Bond interest payable	212,000	220,943
Current portion of bonds payable	<u>320,000</u>	<u>270,000</u>
TOTAL CURRENT LIABILITIES	532,000	496,811
 <b>LONG-TERM LIABILITIES</b>		
Bonds payable	<u>6,080,000</u>	<u>6,400,000</u>
TOTAL LIABILITIES	6,612,000	6,896,811
 <b>NET ASSETS</b>		
Unrestricted	<u>423,018</u>	<u>551,238</u>
	<u>\$ 7,035,018</u>	<u>\$ 7,448,049</u>

See accompanying notes.



**TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
OPERATING INCOME		
Investment income	\$ 439	\$ 1,063
EXPENSES		
Insurance	-	2,202
Professional fees	6,403	5,689
Management fees	1,000	1,000
Administrative expenses	61	61
Postage and supplies	-	216
	<u>7,464</u>	<u>9,168</u>
CHANGE IN OPERATING INCOME	( 7,025)	( 8,105)
NON-OPERATING INCOME (EXPENSE)		
Investment income on escrow deposit investments	315,391	333,741
Interest expense on defeased bonds	( 424,000)	( 441,888)
Bond cost amortization	( 12,586)	( 12,585)
	<u>( 121,195)</u>	<u>( 120,732)</u>
CHANGE IN UNRESTRICTED NET ASSETS	( 128,220)	( 128,837)
NET ASSETS BEGINNING OF YEAR	<u>551,238</u>	<u>680,075</u>
NET ASSETS END OF YEAR	\$ <u>423,018</u>	\$ <u>551,238</u>

See accompanying notes.

**TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Investment earnings	\$ 324,982	\$ 349,926
Cash paid for services	( 13,332)	( 3,300)
Interest paid	( 432,943)	( 451,329)
NET CASH USED IN OPERATING ACTIVITIES	( 121,293)	( 104,703)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Escrow deposit investment proceeds	<u>387,676</u>	<u>387,466</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>387,676</u>	<u>387,466</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bond redemption payments	( 270,000)	( 285,000)
NET CASH USED IN FINANCING ACTIVITIES	( 270,000)	( 285,000)
NET DECREASE IN CASH	( 3,617)	( 2,237)
CASH AT BEGINNING OF YEAR	<u>49,780</u>	<u>52,017</u>
CASH AT END OF YEAR	\$ <u><u>46,163</u></u>	\$ <u><u>49,780</u></u>
<b>RECONCILIATION OF CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Changes in Unrestricted Net Assets	\$( 128,220)	\$( 128,837)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	12,586	12,585
(Increase) decrease in:		
Accrued investment receivable	9,152	15,122
Increase (decrease) in:		
Accounts payable and accrued expenses	( 5,868)	5,868
Bond interest payable	( 8,943)	( 9,441)
NET CASH USED IN OPERATING ACTIVITIES	\$( <u>121,293</u> )	\$( <u>104,703</u> )

See accompanying notes.

**TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2009 and 2008**

**NOTE 1 -NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Formation and Nature of Business - Tallahassee Community College Housing, Inc. (Housing) was incorporated on May 20, 2000 as a direct support organization of Tallahassee Community College (College), within the meaning of Section 240.331, Florida Statutes, or any successor provision. The Corporation was formed, among other purposes, to make available housing to students at Tallahassee Community College and other institutions of higher education. Effective November 1, 2001, Housing entered into a contribution and assumption agreement with Tallahassee Community College Foundation, Inc. (Foundation) whereby the student housing project (The Orchards of Appleyard) owned by the Foundation was transferred to Housing. The terms of the agreement included the transfer of the Foundation's right, title and interest in the property, subject to the mortgage, the apartment leases, the management agreement and loan and promissory note agreements. Housing operated and managed the student housing project through a management contract with a property management company until the apartment complex was sold on August 31, 2006. See Note 2 for further discussion on the sale of the apartment complex. At the direction of the Board of Trustees of Tallahassee Community College, income derived by the Corporation, subject to the assignment of revenue and other amounts derived from the operation of the facility, may be transferred to the Tallahassee Community College or to the Foundation.

A summary of significant accounting policies follows:

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Escrow Deposit Investments – Investments are stated at fair value and net investment earnings including interest and realized and unrealized gains and losses are recognized as non-operating investment income.

Cash Equivalents - For purposes of the statement of cash flows all highly liquid instruments with a maturity of three months or less are considered to be cash equivalents.

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



**TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2009 and 2008**

**NOTE 2 – SALE OF APARTMENT COMPLEX**

On August 31, 2006, Tallahassee Community College Housing, Inc. closed on the sale of its apartment complex including land, equipment and furnishings to the highest bidder. Contract sale price of the complex amounted to \$11,100,000 whereby \$7,555,939 was deposited in escrow with the trustee to “in-substance” defease the outstanding Series 1990A Student Housing Revenue Bonds issued May 1, 1990, not redeemable in full until July 1, 2011. See Note 3 for further discussion regarding the escrow deposit agreement with the trustee. \$468,000 was withheld by the settlement agent as a contingent reserve to the buyer for future identified repair and replacement of air conditioning handlers and condensers and for repair and replacement to the complex. Closing costs including fees for recording, brokers, attorneys, bond counsel, trustee, accountants and prorations of rents and security deposits amounted to \$279,292. The remainder from the closing in the amount of \$2,796,768 and the liquidation of remaining balances in the trustee sub accounts and prepaid insurance in the amount of \$457,497 were deposited into Housing’s operating account.

**NOTE 3 – ESCROW DEPOSIT AGREEMENT**

On September 1, 2006, Housing entered into an agreement with City of Tallahassee and its trustee to provide for payment of the total debt service of the outstanding Series 1990A Student Housing Revenue Bonds, issued May 1990, by depositing with the trustee in escrow an amount which together with investment earning thereon is at least equal to such debt services and where as full performances of the provisions of the agreement will economically defease the obligations of Housing with respect to the bonds and redeem in full the outstanding bonds on July 1, 2011. Investments held in escrow as of June 30, 2009 and 2008 consist of the following:

<u>State and Local Government Series</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>2009 Fair Value</u>	<u>2008 Fair Value</u>
U.S. Treasury Notes	4.85%	7/1/2008	\$ -	\$ 324,734
U.S. Treasury Notes	4.76%	1/1/2008	-	53,666
U.S. Treasury Notes	4.72%	7/1/2009	374,942	374,942
U.S. Treasury Notes	4.72%	1/1/2010	53,192	53,192
U.S. Treasury Notes	4.71%	7/1/2010	424,447	424,447
U.S. Treasury Notes	4.71%	1/1/2011	52,186	52,186
U.S. Treasury Notes	4.71%	7/1/2011	5,763,415	5,763,415
Demand Deposit Account	N/A	N/A	-	9,276
			6,668,182	7,055,858
Less current portion			( 428,134)	( 378,400)
			<u>\$ 6,240,048</u>	<u>\$ 6,677,458</u>

**TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2009 and 2008**

**NOTE 4 - BONDS PAYABLE**

Bonds payable consist of Series 1990A Student Housing Revenue Bonds issued May 1, 1990. The original proceeds were placed with SunBank, National Association, as Trustee (SunTrust Bank, a Georgia banking corporation, successor Trustee). The bond issue is governed by the Third Supplement to Indenture of Trust dated November 1, 2001. The bonds are not general obligations of the Tallahassee Community College Housing, Inc. but are limited obligations payable solely and only from revenue and other amounts derived from the operation of the facility (The Orchards of Appleyard). The outstanding bonds were secured by second amendment to mortgage and security agreement and assignment of rents, leases and contracts dated November 1, 2001. As further discussed in Note 2, the mortgage and lease assignment was satisfied upon the sale of the apartment complex and the deposit of adequate funds were escrowed for the in-substance defeasance of the existing bonds.

Bonds payable at June 30, 2009 and 2008 were as follows:

	2009	2008
Series 1990A, Student Housing Revenue Bonds mature on July 1, 2022 and bear interest at the rate of 6.625% payable semi annually on January 1, 2002 for the period commencing with November 1, 2001 and continuing until maturity or the earlier redemption thereof. These bonds are subject to redemption beginning in 2002 until final maturity.	\$ 6,400,000	\$ 6,670,000
Less current portion	( 320,000)	( 270,000)
	<u>\$ 6,080,000</u>	<u>\$ 6,400,000</u>

As of June 30, 2009, the scheduled maturities of bonds payable were as follows:

July 1, 2009	\$ 320,000
2010	370,000
2011	<u>5,710,000</u>
	<u>\$ 6,400,000</u>

Optional Tender of Bonds - Under the Third Supplement to Indenture of Trust, the Series 1990A Bonds shall not be subject to optional redemption until July 1, 2011. Thereafter, the Series 1990A Bonds shall be subject to optional redemption in whole and in part at a redemption price of par, plus accrued interest to the redemption date upon not less than thirty (30) days prior notice.

**TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2009 and 2008**

**NOTE 5 - INCOME TAXES**

The Tallahassee Community College Housing, Inc. has been granted tax exempt status under 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.



**MEMBERS**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

# TBL

THOMSON BROCK  
LUGER & COMPANY

*Certified Public Accountants and Business Advisors*

HAROLD A. BROCK, JR., C.P.A.  
MATTHEW R. HANSARD, C.P.A.  
FRED C. LUGER, C.P.A.

ANN MARIE BACHMAN, C.P.A.  
LINDA V. SIMPSON, C.P.A.

OF COUNSEL  
W. FREDERICK THOMSON, C.P.A.

**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  
Tallahassee Community College Housing, Inc.  
Tallahassee, Florida

We have audited the financial statements of Tallahassee Community College Housing, Inc. (a nonprofit organization) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated September 4, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Tallahassee Community College Housing, Inc.'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 Tallahassee Community College Housing, Inc.'s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Tallahassee Community College Housing, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than an a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control.

Member Firm



Deerfield Professional Center • 3375-G Capital Circle Northeast • P.O. Box 13445 • Tallahassee, Florida 32317-3445  
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 financial statements of Tallahassee Community College Housing, Inc. 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 that are required to be reported under *Government Auditing Standards*.

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

*Thomson Brock Hugel + Company*

September 4, 2009