




November 19, 2012

MEMORANDUM

TO: District Board of Trustees
FROM: Jim Murdaugh, President 
SUBJECT: Direct Support Organizations - Audit Reports

Item Description

All Direct Support Organizations (DSO) affiliated with Tallahassee Community College must have annual financial audits.

Overview and Background

These financial audits are provided to the Board for review. The audits are conducted in compliance with Section 11.45(8), Florida Statutes. The audits of the Tallahassee Community College Foundation, Inc. and Public Safety Academy Housing, Inc. are for the fiscal year ended March 31, 2012.

Past Actions by the Board

The Board last reviewed the audit of these DSOs on April 16, 2012, for the previous fiscal year.

Funding/Financial Implications

No funding is required.

Staff Resource

Teresa Smith

Recommended Action

For information only

PUBLIC SAFETY ACADEMY HOUSING, INC.
Tallahassee, Florida

FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

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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. (a Florida not-for-profit corporation) as of March 31, 2012 and 2011, 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, 2012 and 2011 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 October 5, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 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 inquired 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.

Thomson Block Audit Company

October 5, 2012

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

The discussion and analysis of Public Safety Academy Housing Inc.'s financial statements provides an overview of the financial activities for the year ended March 31, 2012. 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 Public Safety Academy Housing Inc. for fiscal years 2011 and 2012.

Public Safety Academy Housing Inc. was incorporated on February 26, 2003, as a direct support organization of Tallahassee Community College for the purpose of financing and constructing a housing facility at the College's Florida Public Safety Institute. The housing facility was financed by a \$9 million mortgage note and was completed on January 4, 2006. Upon completion, Public Safety Academy Housing Inc. executed an agreement with the College whereby the College leases the housing facility from Public Safety Academy Housing Inc. and is responsible for operating and maintaining the facility. All revenues generated by the facility are retained by the College. In exchange, Public Safety Academy Housing Inc. receives a monthly lease payment in the amount of \$62,409 for its mortgage payment and operating expenses.

By design, Public Safety Academy Housing Inc. 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, 2012 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 Public Safety Academy Housing Inc.'s future activities can be expected to remain consistent with those of the 2012 fiscal year.

See independent auditors' report.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2012 and 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 7,000	\$ 5,854
Lease receivable	<u>-</u>	<u>62,160</u>
TOTAL CURRENT ASSETS	7,000	68,014
PROPERTY AND EQUIPMENT, Net	6,800,880	7,013,331
OTHER ASSETS		
Deferred loan cost, net	<u>122,859</u>	<u>132,309</u>
	<u>\$ 6,930,739</u>	<u>\$ 7,213,654</u>
 <u>LIABILITIES AND NET DEFICIT</u> 		
CURRENT LIABILITIES		
Accrued interest payable	\$ -	\$ 34,572
Current portion of mortgage notes payable	<u>331,981</u>	<u>340,314</u>
TOTAL CURRENT LIABILITIES	331,981	374,886
LONG-TERM LIABILITIES		
Mortgage note payable	<u>6,664,137</u>	<u>7,025,380</u>
TOTAL LIABILITIES	6,996,118	7,400,266
NET DEFICIT		
Invested in capital assets, net of related debt	(72,379)	(220,054)
Unrestricted	<u>7,000</u>	<u>33,442</u>
	<u>(65,379)</u>	<u>(186,612)</u>
	<u>\$ 6,930,739</u>	<u>\$ 7,213,654</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICITS
Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUE		
Lease income	\$ 748,413	\$ 743,414
OPERATING EXPENSES		
Depreciation	212,451	279,887
Amortization	9,451	9,452
Contractual services	<u>7,105</u>	<u>6,903</u>
	<u>229,007</u>	<u>296,242</u>
OPERATING INCOME	519,406	447,172
NONOPERATING INCOME (EXPENSE)		
Interest expense	(<u>398,173</u>)	(<u>415,650</u>)
	(<u>398,173</u>)	(<u>415,650</u>)
CHANGE IN NET ASSETS	121,233	31,522
BEGINNING NET DEFICIT	(<u>186,612</u>)	(<u>218,134</u>)
ENDING NET DEFICIT	\$ (<u>65,379</u>)	\$ (<u>186,612</u>)

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Rents and fees collected	\$ 810,573	\$ 749,781
Payments to vendors	(7,105)	(6,903)
Payments for interest expense	(432,745)	(417,300)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>370,723</u>	 <u>325,578</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	(369,577)	(322,613)
 NET CASH USED IN FINANCING ACTIVITIES	 (369,577)	 (322,613)
 NET INCREASE IN CASH	 1,146	 2,965
 CASH AT BEGINNING OF YEAR	 <u>5,854</u>	 <u>2,889</u>
 CASH AT END OF YEAR	 <u>\$ 7,000</u>	 <u>\$ 5,854</u>
 RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	\$ 121,233	\$ 31,522
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	221,902	289,339
(Increase) decrease in:		
Lease receivable	62,160	(501)
Other receivable	-	6,868
(Decrease) increase in:		
Accrued interest payable	(34,572)	(1,650)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 370,723</u>	 <u>\$ 325,578</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

**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 (the "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.

Furniture and equipment with a value of or costing over \$500 is recorded at cost and depreciated over its estimated useful lives of five to seven years on a straight line basis.

Income Taxes - The Organization has been granted tax exempt status 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, 2012 and 2011

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

Election to Apply FASB Accounting Standards Codification - The Organization has elected to apply all FASB Accounting Standards Codification, except for those that conflict with GASB pronouncements, as permitted by GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1089 FASB and AICPA pronouncements."

Subsequent Events -- Management has performed an analysis of the activities and transactions subsequent to March 31, 2012 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2012. Management has performed their analysis through the date of this report.

NOTE 2 - RELATED PARTY TRANSACTIONS

On May 21, 2004, the College entered into a long-term lease to rent ten acres of land to the Organization in order to build the housing complex. Terms of the lease grants the Organization 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, the Organization executed an agreement with the College to operate the housing complex. Terms of the agreement include monthly lease revenue amounting to \$61,659 through August 31, 2011, then increased to \$62,159 through June 30, 2012 and increased again to \$62,409; with automatic annual lease renewals unless thirty day prior notice of cancellation is given by either party. Total lease income earned for the years ended March 31, 2012 and 2011 amounted to \$748,413 and \$743,414 respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2012 and 2011, is summarized as follows:

	<u>2012</u>	<u>2011</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>(1,875,830)</u>	<u>(1,663,379)</u>
	<u>\$ 6,800,880</u>	<u>\$ 7,013,331</u>

Depreciation expense for the years ended March 31, 2012 and 2011 amounted to \$212,451 and \$279,887, respectively.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 4 - MORTGAGE NOTE PAYABLE

Mortgage note payable as of March 31, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
\$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.	\$ 6,996,118	\$ 7,365,694
Less current portion	(<u>331,981</u>)	(<u>340,314</u>)
	<u>\$ 6,664,137</u>	<u>\$ 7,025,380</u>

As of March 31, 2012, the scheduled maturities of the mortgage note payable was as follows:

March 31, 2013	\$ 331,981
2014	381,115
2015	402,715
2016	424,709
2017	449,612
Thereafter	<u>5,005,986</u>
	<u>\$ 6,996,118</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 year ended March 31, 2012, and have issued our report thereon dated October 5, 2012. 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. Management of the Organization is responsible for establishing and maintaining effective internal controls over financial reporting.

Internal Control over Financial Reporting

Management of Public Safety Academy Housing, Inc. is responsible for establishing and maintaining effective internal controls 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify an deficiencies in internal control over financial reporting that we consider to be material weaknesses as defines above.

Compliance and Other Matters

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 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 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 Block Audit Company

October 5, 2012

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Years Ended March 31, 2012 and 2011**

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

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, 2012 and 2011, 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, 2012 and 2011, 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 August 14, 2012 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
August 14, 2012

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 131,686	\$ 366,126
Short-term investments	4,715,078	4,609,263
Due from Tallahassee Community College	10,296	11,144
Contributions receivable	627,078	129,732
Prepaid expenses	-	4,188
Investments restricted for endowment purposes	8,213,943	7,958,648
Land held for sale, investment, and development	1,558,942	1,558,942
Collectibles	<u>1,360</u>	<u>1,360</u>
	<u>\$ 15,258,383</u>	<u>\$ 14,639,403</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ <u>37,579</u>	\$ <u>98,074</u>
Net Assets:		
Unrestricted	951,092	319,672
Temporarily restricted	9,751,918	9,831,991
Permanently restricted	<u>4,517,794</u>	<u>4,389,666</u>
	<u>15,220,804</u>	<u>14,541,329</u>
	<u>\$ 15,258,383</u>	<u>\$ 14,639,403</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended March 31, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS & OTHER SUPPORT								
In-kind contributions	\$ 445,933	\$ -	\$ -	\$ 445,933	\$ 412,926	\$ 238	\$ -	\$ 413,164
Non cash contributions	-	-	2,366	2,366	5,108	615,000	-	620,108
Investment income	109,034	153,469	-	262,503	50,138	795,108	-	845,246
Private contributions	608,539	1,025,021	66,062	1,699,622	49,790	731,068	70,890	851,748
Miscellaneous	9,364	9,333	-	18,697	13,217	8,844	2,331	24,392
Special events	2,869	-	-	2,869	12,875	-	-	12,875
Net assets released from restrictions:								
Satisfaction of restricted purpose	1,145,516	(1,145,516)	-	-	820,332	(820,332)	-	-
Satisfaction of time restrictions	62,680	(62,680)	-	-	3,288	(3,288)	-	-
Transfers	-	(59,700)	59,700	-	(12,500)	(30,921)	43,421	-
	<u>2,383,935</u>	<u>(80,073)</u>	<u>128,128</u>	<u>2,431,990</u>	<u>1,355,174</u>	<u>1,295,717</u>	<u>116,642</u>	<u>2,767,533</u>
EXPENSES								
Educational activities	1,115,911	-	-	1,115,911	635,039	-	-	635,039
General and administrative expenses	301,279	-	-	301,279	284,381	-	-	284,381
Fund raising expenses	335,325	-	-	335,325	344,189	-	-	344,189
	<u>1,752,515</u>	<u>-</u>	<u>-</u>	<u>1,752,515</u>	<u>1,263,609</u>	<u>-</u>	<u>-</u>	<u>1,263,609</u>
CHANGE IN NET ASSETS	631,420	(80,073)	128,128	679,475	91,565	1,295,717	116,642	1,503,924
BEGINNING NET ASSETS	<u>319,672</u>	<u>9,831,991</u>	<u>4,389,666</u>	<u>14,541,329</u>	<u>228,107</u>	<u>8,536,274</u>	<u>4,273,024</u>	<u>13,037,405</u>
ENDING NET ASSETS	<u>\$ 951,092</u>	<u>\$ 9,751,918</u>	<u>\$ 4,517,794</u>	<u>\$ 15,220,804</u>	<u>\$ 319,672</u>	<u>\$ 9,831,991</u>	<u>\$ 4,389,666</u>	<u>\$ 14,541,329</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Support from private and public	\$ 1,222,304	\$ 809,220
Investments	<u>322,394</u>	<u>269,903</u>
	1,544,698	1,079,123
Payments for scholarships and suppliers	(<u>1,360,522</u>)	(<u>788,627</u>)
CASH PROVIDED BY OPERATING ACTIVITIES	184,176	290,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(442,663)	(7,917,079)
Purchase of certificates of deposit	(10,379)	(1,668,054)
Proceeds from sale of short-term investments	34,426	1,641,749
Net proceeds from sale of investment pool	<u>-</u>	<u>7,912,200</u>
CASH USED IN INVESTING ACTIVITIES	(<u>418,616</u>)	(<u>31,184</u>)
(DECREASE) INCREASE IN CASH	(234,440)	259,312
CASH AT BEGINNING OF YEAR	<u>366,126</u>	<u>106,814</u>
CASH AT END OF YEAR	\$ <u><u>131,686</u></u>	\$ <u><u>366,126</u></u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended March 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 679,475	\$ 1,503,924
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	47,314	(724,903)
Unrealized loss on land held for sale and investment	-	103,058
Realized (gain) loss on sale of investments	12,558	46,502
Non cash contributions	(2,366)	(605,000)
(Increase) decrease in:		
Prepaid expenses	4,188	(4,188)
Accounts receivable	848	(11,144)
Pledges receivable	(497,346)	(68,651)
Increase (decrease) in:		
Accounts payable	(60,495)	50,898
CASH PROVIDED BY		
OPERATING ACTIVITIES	\$ <u>184,176</u>	\$ <u>290,496</u>
 SUPPLEMENTARY NON CASH DISCLOSURE:		
Donated land	\$ -	\$ 605,000
Marketable securities	<u>2,366</u>	<u>-</u>
	\$ <u>2,366</u>	\$ <u>605,000</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

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 (the "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.

Land - Land consists of real property donated to the Foundation, recorded at its fair market value at date of contribution and adjusted for impaired values.

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.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 of Prior Year Amounts - Some prior year amounts may be reclassified for consistency with current year presentation.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments - The Foundation carrying amount for its financial instruments, which include cash, investments, receivables, and accounts payable, approximates fair value.

Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to March 31, 2012 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2012. Management has performed their analysis through the date of this report.

NOTE 2 - RELATED PARTY TRANSACTIONS

Personnel and certain facility costs are provided to the Foundation by the College. For years ended March 31, 2012 and 2011, the Foundation has recorded these donated services at \$400,752 and \$351,334 for personnel services \$35,515 and \$29,091 for facility costs, and \$9,664 and \$0 for other office expenses, 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 1%, after providing for collection losses. A summary of contributions to be collected follows:

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

	<u>2012</u>	<u>2011</u>
2012	\$ 459,252	\$ 73,228
2013	77,654	37,457
2014	56,339	20,033
2015	40,761	15,261
2016	14,575	11,666
Thereafter	<u>12,300</u>	<u>11,200</u>
	660,881	168,845
Less:		
Allowance for collection losses	(29,370)	(21,367)
Discounts for time-value money	<u>(4,433)</u>	<u>(17,746)</u>
	<u>\$ 627,078</u>	<u>\$ 129,732</u>

NOTE 4 - INVESTMENTS

Investments are carried at market or appraised value, realized and unrealized gains and losses are reported in the statements of activities.

The following are the major types of investments held by the Foundation at March 31:

	<u>2012</u>	<u>2011</u>
Investment pool	\$ 8,213,943	\$ 7,958,648
Money market funds	4,139,723	2,834,828
Certificates of deposit	493,712	1,678,840
State Board of Administration funds	<u>81,643</u>	<u>95,595</u>
	<u>\$ 12,929,021</u>	<u>\$ 12,567,911</u>

March 31, 2012

Investment pool consists of ninety-nine percent (99%) of marketable equity securities and indices, and one percent (1%) of demand deposits as of March 31, 2012.

State Board of Administration funds consist of one hundred percent (100%) of variable and fixed rate corporate commercial paper and notes as of March 31, 2012.

March 31, 2011

Investment pool consists of ninety-nine percent (99%) of marketable equity securities and indices, and one percent (1%) of demand deposits as of March 31, 2011.

State Board of Administration funds consist of one hundred percent (100%) of variable and fixed rate corporate commercial paper and notes as of March 31, 2011.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 4 – INVESTMENTS (Continued)

The investment return, which is included in revenue and support as a component of investment income, is composed of the following for the years ended March 31:

	<u>2012</u>	<u>2011</u>
Interest and dividends income	\$ 322,394	\$ 269,903
Net realized gain (loss) on sales of investments	(12,558)	(46,502)
Net unrealized gain (loss) on investments	(47,333)	724,903
Impairment loss on land values	<u>-</u>	<u>(103,058)</u>
	<u>\$ 262,503</u>	<u>\$ 845,246</u>

The various investments in securities, mutual funds, and other investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Foundation.

NOTE 5 – FAIR VALUE MEASUREMENTS

The FASB issued new guidance on fair value measurements. This guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date. The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices from nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. The fair values of the Foundation's Level 2 certificates of deposit are determined through inquiries of the financial institutions from which they originated. The fair market values are typically the original principal value plus accrued interest earned.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Financial and nonfinancial assets and liabilities measured at fair value on a recurring and nonrecurring basis are summarized below:

	Fair Value Measurements at March 31, 2012			
	Level 1	Level 2	Level 3	Total
Investments restricted for endowment purposes:				
Money market funds	\$ 76,038	\$ -	\$ -	\$ 76,038
Domestic equity securities	5,610,396	-	-	5,610,396
International equity securities	1,031,511	-	-	1,031,511
Closely-managed investment funds	-	1,495,998	-	1,495,998
Total investments restricted for endowment purposes	6,717,945	1,495,998	-	8,213,943
Short-term investments:				
Money market funds	4,139,723	-	-	4,139,723
Certificates of deposit	-	493,712	-	493,712
Commercial paper and notes	-	81,643	-	81,643
	4,139,723	575,355	-	4,715,078
Nonfinancial assets:				
Land held for sale and investment	-	1,558,942	-	1,558,942
Total assets	\$ <u>10,857,668</u>	\$ <u>3,630,295</u>	\$ <u>-</u>	\$ <u>14,487,963</u>

	Fair Value Measurements at March 31, 2011			
	Level 1	Level 2	Level 3	Total
Investments restricted for endowment purposes:				
Money market funds	\$ 50,572	\$ -	\$ -	\$ 50,572
Domestic equity securities	4,819,112	-	-	4,819,112
International equity securities	1,537,896	-	-	1,537,896
Closely-managed investment funds	-	1,551,068	-	1,551,068
Total investments restricted for endowment purposes	6,407,580	1,551,068	-	7,958,648

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Continued:

	Fair Value Measurements at March 31, 2011			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
Money market funds	2,834,828	-	-	2,834,828
Certificates of deposit	-	1,678,840	-	1,678,840
Commercial paper and notes	-	95,595	-	95,595
	2,834,828	1,774,435	-	4,609,263
Nonfinancial assets:				
Land held for sale and investment	-	1,558,942	-	1,558,942
Total assets	\$ 2,242,408	\$ 4,884,445	\$ -	\$ 14,126,853

NOTE 6 – LAND HELD FOR SALE, INVESTMENT, AND DEVELOPMENT

Land held for sale, investment, and development consists of three parcels of real property. As market conditions change, the parcels' appraised values can suffer impairment losses from their determined fair market value recorded at date of donation. Prior year additions consisted of a parcel donated to the Foundation, the disposition of which is restricted to Foundation use until May 1, 2020, after which it may be sold and the proceeds restricted to use in promotion and funding of higher education efforts of children graduating from Wakulla County Schools. A summary of land held for sale, investment and development is as follows:

	2012	2011
Approximately 48 acres, Dr. MLK Jr. Road, Crawfordville, FL	\$ 605,000	\$ 605,000
One acre vacant parcel of land, Appleyard Drive	123,000	123,000
Approximately 35 acres, Lake Shore Drive and Sharer Road	934,000	934,000
Impairment loss	(103,058)	(103,058)
	\$ 1,558,942	\$ 1,558,942

NOTE 7 – BOARD DESIGNATED UNRESTRICTED NET ASSETS

On January 26, 2012, the Board unanimously approved the designation of \$500,000 from unrestricted net assets to the HPE Surgical Technology Program and the Ghazvini Fund in the amounts of \$404,500 and \$95,500, respectively, for the purpose of funding and supporting the College's healthcare initiative program.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of March 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Time Restricted:		
Contributions receivable	\$ 627,078	\$ 129,732
Land contribution	1,435,942	1,435,942
Restricted Contributions for Scholarships and Academic Support	4,146,457	4,578,203
Restricted Earnings and State Matching for Endowment Scholarships and Academic Support	<u>3,542,441</u>	<u>3,688,114</u>
	<u>\$ 9,751,918</u>	<u>\$ 9,831,991</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of March 31, 2012 and 2011 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>2012</u>	<u>2011</u>
Restricted Contributions for Endowed Scholarships and Academic Support	\$ <u>4,517,794</u>	\$ <u>4,389,666</u>

NOTE 10 – 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) was enacted in the State of Florida during the 2011 legislative session and has an effective date of July 1, 2012. 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.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 10 – ENDOWMENTS (Continued)

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.

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

	2012		
	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ <u>3,542,441</u>	\$ <u>4,517,794</u>	\$ <u>8,060,235</u>
	2011		
	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ <u>3,688,114</u>	\$ <u>4,389,666</u>	\$ <u>8,077,780</u>

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 10 – ENDOWMENTS (Continued)

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

	2012		Total Net Endowment Assets
	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 3,688,114	\$ 4,389,666	\$ 8,077,780
Contributions and transfers	-	128,128	128,128
Investment income	214,799	-	214,799
Net appreciation	(61,330)	-	(61,330)
Amounts appropriated for expenditure	(299,142)	-	(299,142)
	<u>\$ 3,542,441</u>	<u>\$ 4,517,794</u>	<u>\$ 8,060,235</u>
	2011		
	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 3,079,204	\$ 4,273,024	\$ 7,352,228
Contributions and transfers	-	116,642	116,642
Investment income	246,002	-	246,002
Net appreciation	652,164	-	652,164
Amounts appropriated for expenditure	(289,256)	-	(289,256)
	<u>\$ 3,688,114</u>	<u>\$ 4,389,666</u>	<u>\$ 8,077,780</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 as of March 31, 2012 and 2011, unlimited under the Transaction Account Guarantee (TAG) program, Florida Statute Chapter 280, Security for Public Deposits, Security Investor Protection Corporation up to \$500,000 and the Dodd-Frank Deposit Insurance Program for all non-interest bearing accounts from January 1, 2012 to December 31, 2012. At March 31, 2012 and 2011, the Foundation's uninsured cash balances amounted to \$0 for each year, 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, 2012 and 2011, the Foundation maintains uninsured balances with the SBA in the amount of \$98,810 and \$116,955, respectively.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2012 and 2011

NOTE 12 – COMMITMENTS

As of March 31, 2012 and 2011, the Foundation maintains programmatic grant commitments to the College in the amount of \$147,515 and \$157,062 for promises to give conditional upon the College's satisfaction of compliance with donor/grantor restrictions.

SUPPLEMENTARY INFORMATION

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.
FRED C. LUGER, C.P.A.
MATTHEW R. HANSARD, C.P.A.
ANN MARIE BACHMAN, C.P.A.
RODNEY E. REAMS, C.P.A.

LINDA V. SIMPSON, C.P.A.
SCOTT C. HALL, C.P.A.
JOHN K. KIRK, C.P.A.

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Tallahassee Community College
Foundation, Inc.
Tallahassee, Florida

Our report on the audit of the basic financial statements of Tallahassee Community College Foundation, Inc. (a non-profit organization) for the years ended March 31, 2012 and 2011 appears on page 1. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Thomson Brock Luger & Company

August 14, 2012

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended March 31, 2012 (With Comparative Totals For 2011)

	2012				2011 Total
	Educational Activities	General and Administrative	Fund Raising Activities	Total	
Academic and athletic support	\$ 610,579	\$ 1,706	\$ -	\$ 612,285	\$ 189,652
Personnel services	82,813	145,031	180,151	407,995	376,765
Scholarships	371,685	-	-	371,685	350,603
Fund raising expenses	-	-	66,095	66,095	45,531
Contract services	13,210	200	49,229	62,639	100,793
Travel	10,860	13,813	15,485	40,158	21,542
Facility costs	2,357	35,515	1,000	38,872	31,391
Bank and investment fees	-	34,354	-	34,354	26,737
Honoraria and awards	6,991	14,972	-	21,963	18,423
Legal and accounting	-	15,004	-	15,004	13,541
Materials and supplies	11,820	1,520	1,322	14,662	6,054
Business meeting expense	-	3,685	10,618	14,303	11,742
Advertising	5,188	-	4,750	9,938	10,236
Gift fee expense	-	9,364	-	9,364	13,235
Printing	-	4,283	4,367	8,650	20,669
Telephone	-	8,017	-	8,017	5,411
Insurance	-	6,332	-	6,332	6,334
Dues and subscriptions	-	6,127	-	6,127	7,021
Licenses	-	236	2,308	2,544	242
Miscellaneous expenses	-	945	-	945	3,247
Training expense	408	175	-	583	4,440
	<u>\$ 1,115,911</u>	<u>\$ 301,279</u>	<u>\$ 335,325</u>	<u>\$ 1,752,515</u>	<u>\$ 1,263,609</u>

See independent auditors' report on supplementary information.

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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, 2012, and have issued our report thereon dated August 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Tallahassee Community College Foundation, Inc. is responsible for establishing and maintaining effective 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 August 14, 2012.

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 Block Impact Company
August 14, 2012