FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
TALLAHASSEE, FLORIDA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010
### CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors' Report</td>
<td>1</td>
</tr>
<tr>
<td><strong>Financial Statements</strong></td>
<td></td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>2</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>4</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>5-7</td>
</tr>
<tr>
<td><strong>Other Reports</strong></td>
<td></td>
</tr>
<tr>
<td>Report on Compliance and on Internal Control Over Financial Reporting</td>
<td>8-9</td>
</tr>
<tr>
<td>Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</td>
<td>8-9</td>
</tr>
<tr>
<td>Independent Auditors' Management Letter</td>
<td>10</td>
</tr>
</tbody>
</table>
Independent Auditors' Report

The Board of Directors
Florida Board of Governors Foundation, Inc.
Tallahassee, Florida

We have audited the accompanying statement of financial position of the Florida Board of Governors Foundation, Inc., (a nonprofit organization) as of December 31, 2010, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 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 audit provides 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 Florida Board of Governors Foundation, Inc., as of December 31, 2010, 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 our report dated June 13, 2011, on our consideration of Florida Board of Governors 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Kaye Kendrick Enterprises, LLC
Tallahassee, Florida
June 13, 2011

Members
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants
FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

Current Assets
- Cash in Banks $ 370,272
- Investments 5,652,364
- Accrued Interest Receivable 4,902

Total Current Assets 6,027,538

Total Assets $ 6,027,538

LIABILITIES AND NET ASSETS

Liabilities
- Current Liabilities - Accounts Payable $ 273,275

Net Assets
- Unrestricted 521,518
- Temporarily Restricted 5,232,745

Total Net Assets 5,754,263

Total Liabilities and Net Assets $ 6,027,538

The accompanying notes are an integral part of these financial statements.
Unrestricted Net Assets
Revenue and Support
  Contributions $ 232,177
  Interest Income 8,041
  State of Florida - Unclaimed Property 36,890
  Total Unrestricted Revenue and Support 277,108

Net Assets Released From Restrictions
  Satisfaction of Program Activities 671,349
  Total Net Assets Released from Restrictions 671,349
  Total Unrestricted Revenue and Support 948,457

Expenses
  Administrative 5,081
  Conferences and Meetings 3,928
  Miscellaneous 3,498
  Grants/Scholarships 671,349
  Legal Fees 15,821
  Supplemental Chancellor Payments 240,780
  Total Expenses 940,457

(Increase) Decrease in Unrestricted Net Assets 8,000

Temporarily Restricted Net Assets
  Contributions 500,000
  Return of Scholarship Funds 85,935
  Interest Income 128,588
  Net Assets Released From Restrictions (671,349)

(Increase) Decrease in Temporarily Restricted Net Assets 43,174

(Increase) Decrease in Net Assets 51,174

Net Assets at Beginning of Year 5,703,089

Net Assets at End of Year $ 5,754,263

The accompanying notes are an integral part of these financial statements.
FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows From Operating Activities
(Increase) Decrease in Net Assets $ 51,174

Adjustments to Reconcile Changes in Net Assets
to Net Cash Provided by Operating Activities:

  (Increase) Decrease in:
  Investments (147,697)
  Accrued Interest Receivable 4,452
  Other Receivables 63,515

Increase (Decrease) in:
  Accounts Payable 270,335

Net Cash Provided (Used) by Operating Activities 241,779

Net (Increase) Decrease in Cash 241,779

Cash at Beginning of Year 128,493

Cash at End of Year $ 370,272

The accompanying notes are an integral part of these financial statements.
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Florida Board of Governors Foundation, Inc., (the Foundation), conform to generally accepted accounting principles. The following is a description of the more significant policies:

(1) Accrual Basis - The financial statements of the Foundation are prepared on the accrual basis of accounting.

(a) Basis of Presentation - In 1995, the Foundation adopted Statement of Financial Accounting Standards No. 116, “Accounting for Contributions Received and Contributions Made” (SFAS 116). In accordance with the new standard, prospective application of the recognition of restrictions is reflected in the financial statements. Other provisions of SFAS No. 116 whose effect on 1994 financial statements is immaterial have been applied retroactively.

In 1995, the Foundation also adopted Statement of Financial Accounting Standards No. 117, “Financial Statements for Not-For-Profit Organizations.” The provisions of the new standard have been applied to the periods presented.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

(2) Organization and Tax Exempt Status - The Foundation was established September 23, 1969, to receive donations for educational purposes which would be used for the advancement of the State University System of Florida and its objectives.

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

The Foundation is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and is exempt from Federal and state income taxes.

(3) Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Resources are classified for accounting purposes in
accordance with activities and objectives as specified by donors; or regulations, restrictions or limitations imposed by external authorities; or, according to directions issued by the Foundation board of directors.

(4) Gift Accounting - The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(5) University Contributions Support - The Foundation derives support from two types of University Contributions as follows: (a) General Contributions and (b) Special Contributions. General and special Contributions are made and recognized on a calendar year basis.

(6) Cash and Cash Equivalents – For the purposes of the Statement of Cash Flows, the Foundation considers demand accounts originally purchased with a maturity of three months or less, to be cash equivalents.

NOTE B - INVESTMENTS

All investments are on account with the Office of the Treasurer of the State of Florida Community of Public Investments. The investments held by the State Treasurer's office on behalf of the Foundation have been made in accordance with state statutes. The Treasury Investment Pool is rated by Standard and Poors. The rating on December 31, 2010, was A-. The effective duration of the Treasury Investment Pool on December 31, 2010 was 1.81 years. The Fair Value Factor on December 31, 2010 was 1.0097. The disclosures for the Treasury Investment Pool are made in Note 2 to The Florida Comprehensive Annual Report. Interest income is reflected in the financial statements net of fees of $6,784 for the year ending December 31, 2010.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

- Helio's Education Foundation First Generation Scholars Program to provide scholarships for first generation students at universities in Florida's State University System $ 5,077,199
- Johnson Scholarship Foundation grants and scholarships for equipment and assisted services to students with disabilities annual awards ___________________ 155,546

Total – Temporarily Restricted Net Assets $ 5,232,745
NOTE D - NET ASSETS RELEASED FROM RESTRICTIONS

Net Assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donor.

Satisfaction of program activities are as follows:

Helios Education First Generation Scholars Program $ 125,001
Theodore R. and Vivian M. Johnson Grant and Scholarship Fund 460,413

Total – Net Assets Released from Restrictions $ 585,414

NOTE E - NAME CHANGE

The Foundation is a support organization that was created by the Board of Regents in September 1969 under Chapter 617, F. S., as a Not for Profit Corporation. Section 1001.01, Florida Statutes abolishes the Florida Board of Regents. On November 5, 2002, the voters of the State of Florida passed Amendment 11 to Article IX, Section 7 of the Florida Constitution creating the Board of Governors. The Florida Board of Governors is now the successor organization to the Board of Regents for purposes of the Foundation. The Florida Board of Governors amended the Articles of Incorporation and By-laws to elect a new Board and change the name of the Foundation at their meeting on April 30, 2007. The purpose of the Foundation has essentially and effectively remained the same.

NOTE F - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts. The amounts on deposit as of December 31, 2010, are in excess of federal depository insurance limits by $120,211. The Foundation has not experienced any losses in such accounts.

NOTE G - RELATED PARTY TRANSACTIONS

The persons serving on the Foundation Board of Governors are the same persons that serve on the State University System Florida Board of Governors. In 2010, Foundation provided financial assistance to the State University System Florida Board of Governors for legal fees incurred by the State University System Florida Board of Governors, in the amount of $15,821.

NOTE H - EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 13, 2011, the date the financial statements were available to be issued.
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

The Board of Directors
Florida Board of Governors Foundation, Inc.
Tallahassee, Florida

We have audited the financial statements of the Florida Board of Governors Foundation, Inc. (the Foundation) for the year ended December 31, 2010, and have issued our report thereon, dated June 13, 2011. 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 the Foundation’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control over financial reporting.

A 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 Foundation’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 Foundation’s financial statements that is more than inconsequential will not be prevented or detected by the Foundation’s internal control.

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

We noted certain matters that we reported to management of Florida Board of Governors Foundation, Inc. in a separate letter dated June 13, 2011.

This report is intended solely for the use and information of the Board of Directors and management of Florida Board of Governors Foundation, Inc. and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Kaye Kendrick

Kaye Kendrick Enterprises, LLC
Tallahassee, Florida
June 13, 2011
INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Board of Directors
Florida Board of Governors Foundation, Inc.
Tallahassee, Florida

In planning and performing our audit of the financial statements of Florida Board of Governors Foundation, Inc., for the year ended December 31, 2010, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the board of directors and management. However, this report is a matter of public record and its distribution is not limited.

We noted the following situation in which an internal control improvement could be made:

Processing of Check Issuance
The Foundation requires two signatures on checks written. Currently, one signatory is located in Tallahassee and the other signatory is in Miami. As of December 31, 2010, checks written in mid-December in the amount of $273,275 had yet to be signed by the second signatory, and mailed. This long distance transmittal process increases the risk of misappropriation or loss, and the incurrence of late fees. We recommend the designated signatory be local or as an alternative to the second check signer policy, processes for authorizing a purchase requisition could be instituted.

Kaye Kendrick CPA

Kaye Kendrick Enterprises, LLC
Tallahassee, Florida
June 13, 2011