

**FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
TALLAHASSEE, FLORIDA**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
Tallahassee, Florida

CONTENTS

	<u>Page No.</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8
<u>Other Reports</u>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	9-10
<u>Independent Auditors' Management Letter</u>	11

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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 Florida Board of Governors Foundation, Inc., (a nonprofit organization) for the years ended December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Florida Board of Governors Foundation, Inc.'s, management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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., for the years ended December 31, 2004 and 2003, 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 May 24, 2005 on our consideration of the organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and a report dated May 24, 2005 on its compliance with laws and regulations.



Charles J. Reed & Associates, CPA's
Tallahassee, Florida
May 24, 2005

**FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2004 AND 2003**

ASSETS

Current Assets	<u>2004</u>	<u>2003</u>
Cash in Banks	\$ 157,911	\$ 97,853
Investments	289,742	233,043
Accrued Interest Receivable	<u>872</u>	<u>847</u>
Total Current Assets	<u>448,525</u>	<u>331,743</u>

LIABILITIES AND NET ASSETS

Liabilities		
Current Liabilities - Accounts Payable	<u>\$ 23,248</u>	<u>\$ 483</u>
Net Assets		
Unrestricted	277,112	273,390
Temporarily Restricted	<u>148,165</u>	<u>57,870</u>
Total Net Assets	<u>425,277</u>	<u>331,260</u>
Total Liabilities and Net Assets	<u>\$ 448,525</u>	<u>\$ 331,743</u>

The accompanying notes are an integral part of these financial statements.

FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Unrestricted Net Assets		
Revenue and Support	<u>2004</u>	<u>2003</u>
Contributions	\$ 0	\$ 26,615
Interest Income	7,796	8,364
Total Unrestricted Revenue and Support	<u>7,796</u>	<u>34,979</u>
Net Assets Released From Restrictions		
Satisfaction of Program Activities	561,934	503,742
Reclassifications	825	0
Total Net Assets Released from Restrictions	<u>562,759</u>	<u>0</u>
Total Unrestricted Revenue and Support	<u>570,555</u>	<u>538,721</u>
Expenses		
Administrative	3,511	5,140
Miscellaneous	1,388	1,420
Theodore & Vivian Johnson Fund Grants/Scholarships	561,934	503,742
Travel and Entertainment	0	833
Total Expenses	<u>566,833</u>	<u>511,135</u>
Increase (Decrease) in Unrestricted Net Assets	<u>3,722</u>	<u>27,586</u>
Temporarily Restricted Net Assets		
Contributions	651,522	319,683
Interest Income	1,532	9,573
Net Assets Released From Restrictions	<u>(562,759)</u>	<u>(503,742)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>90,295</u>	<u>(174,486)</u>
Increase (Decrease) in Net Assets	<u>94,017</u>	<u>(146,900)</u>
Net Assets at Beginning of Year	<u>331,260</u>	<u>478,160</u>
Net Assets at End of Year	<u>\$ 425,277</u>	<u>\$ 331,260</u>

The accompanying notes are an integral part of these financial statements.

**FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

Cash Flows From Operating Activities	<u>2004</u>	<u>2003</u>
Increase (Decrease) in Net Assets	94,017	(146,900)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in:		
Investments	(56,699)	176,092
Accrued Interest Receivable	(25)	1,273
Increase (Decrease) in:		
Accounts Payable	<u>22,765</u>	<u>483</u>
Net Cash Provided (Used) by Operating	<u>60,058</u>	<u>30,948</u>
Net Increase (Decrease) in Cash	60,058	30,948
Cash at Beginning of Year	<u>97,853</u>	<u>66,905</u>
Cash at End of Year	<u>\$ 157,911</u>	<u>\$ 97,853</u>

The accompanying notes are an integral part of these financial statements.

FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Florida Board of Governors Foundation, Inc., (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.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation. The Foundation's permanently restricted net assets consist of the net assets of the Vice Admiral William W. Behrens, Jr., Florida Institute of Oceanography Fund and The Nations Bank Scholarship Fund. Income earned from the investments of these funds are used to make annual awards.

(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.

**FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2000**

NOTE A - Continued

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

Effective for the fiscal year ended December 31, 1997, the Foundation elected, under the provisions of Internal Revenue Code Section 501, to make limited expenditures to influence legislation. This election is valid for all subsequent years until revoked.

(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.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

(5) Property and Equipment - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method of depreciation over the estimated life of the asset which is five (5) years.

(6) University Assessments Support - The Foundation derives support from two types of University assessments as follows: (a) General Assessments and, (b) Special Assessments.

General and special assessments are made and recognized on a calendar year basis.

**FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE B - CASH IN BANKS AND INVESTMENTS

At December 31, 2004 the Foundation had on deposit a confirmed balance of \$410,656 in a single financial institution. The federal depository insurance limit is \$100,000.

All investments are on account with the Office of the Treasurer of the State of Florida. The investments held by the State Treasurer's Office on behalf of the Foundation have been made in accordance with state statutes.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2004	2003
Bonnie Jordan Scholarship Fund	\$ 0	\$ 825
Theodore R. and Vivian M. Johnson Grant and Scholarship Fund grants and scholarships for equipment and assisted services to students with disabilities annual awards	148,165	57,045
Total Temporarily Restricted Net Assets	\$ 148,165	\$ 57,870

**FLORIDA BOARD OF GOVERNORS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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:

	<u>2004</u>	<u>2003</u>
Theodore R. and Vivian M. Johnson Grant and Scholarship Fund	<u>\$ 561,934</u>	<u>\$ 503,742</u>

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 that Board 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, 2003. The purpose of the Foundation has essentially and effectively remained the same.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING 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 Florida Board of Governors Foundations, Inc., for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Florida Board of Governors Foundation, Inc.'s, financial statements 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 of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Florida Board of Governors Foundation, Inc.'s, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 misstatements in amounts that would be material in

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS - CONTINUED**

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended 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.



Charles J. Reed & Associates, CPA's
Tallahassee, Florida
May 24, 2005

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 years ended December 31, 2004 and 2003, 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.



Charles J. Reed & Associates, CPA's
Tallahassee, Florida
May 24, 2005

