



October 26, 2020

M E M O R A N D U M

TO: Jim Murdaugh, Ph.D.
President

FROM: Barbara Wills, Ph.D.
Vice President for Administrative Services and Chief Business Officer

SUBJECT: Direct Support Organization Audit Reports

Item Description

This item presents the most recent financial audit reports of the direct support organizations (DSO) affiliated with the College for the Board's review.

Overview and Background

Per Florida Statutes 1004.70(6), the College's DSOs must be audited annually and the results be submitted to the Board for review. For the fiscal year ending March 31, 2020, audits were completed for both the Public Safety Academy Housing, Inc. and the Tallahassee Community College Foundation, Inc.

Funding/ Financial Implications

No funding requirements.

Past Actions by the Board

The Board last reviewed the audited financial statements for these DSOs at the November 18, 2019 meeting.

Recommended Action

For information only.

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W. FREDERICK THOMSON, C.P.A.

September 11, 2020

To the Board of Directors
Public Safety Academy Housing, Inc.
Havana, Florida

We have audited the financial statements of Public Safety Academy Housing, Inc. for the years ended March 31, 2020 and 2019, and have issued our report thereon dated September 11, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 23, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Public Safety Academy Housing, Inc. are described in Note 1 to the financial statements. No changes were made to the significant accounting policies for the fiscal year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all proposed misstatements; a listing of the adjustments is attached to this letter. Additionally, certain misstatements were considered to be immaterial and were not proposed as adjustments. These uncorrected misstatements are summarized in a schedule, Audit Difference Evaluation Form, which is attached to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 11, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

There was a current year recommendation requested to be communicated in a separate letter titled Management Letter for the fiscal year ended March 31, 2020.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Public Safety Academy Housing, Inc.
September 11, 2020
Page 3

This information is intended solely for the use of the board and management of Public Safety Academy Housing, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Block Legal Company

September 11, 2020

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MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Public Safety Academy Housing, Inc. (the "Organization") as of and for the years ended March 31, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audits, we have become aware of matters that are an opportunity for strengthening internal control and operating efficiency. This letter does not affect our report dated September 11, 2020, on the financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed these matters previously with management and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing any recommendations. Our comments are summarized as follows:

Prior Year's Recommendations

None.

Current Year's Recommendations

Reconciliation of Loan Principal Payments with Bond Document: While reviewing the reconciliation of principal payments for both loans with the bond documents, we noted the following discrepancies as of March 31, 2020:

- On the Series A Loan, as of March 31, 2020, the principal applied was more than the bond amortization schedule in the amount of \$11,146 and interest was not properly accrued in the amount of \$6,583.
- On the Series B Loan, as of March 31, 2020, interest was not properly accrued in the amount of \$991.

We recommend that management work with the financial institution in reconciling and correcting the discrepancies and on a monthly basis, match up principal payments on invoices with the amortization schedule prior to remitting payment.

We wish to thank the Executive Director and his staff for their support and timely assistance during our audit.

The report is intended solely for the information and use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Block Impact Company

September 11, 2020

PUBLIC SAFETY ACADEMY HOUSING, INC.
Havana, Florida

FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Statements of Financial Position.....	4
Statements of Activities and Change in Net Assets.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 10
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 <i>GOVERNMENT AUDITING STANDARDS</i>	11 - 12

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Public Safety Academy Housing, Inc. (a Florida non-profit organization) which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Safety Academy Housing, Inc. as of March 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2020, 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 inquiring with 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 Impact Company

Tallahassee, Florida
September 11, 2020

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, 2020. 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 2020 and 2019.

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. During the fiscal year ended March 31, 2015, the Organization refinanced its original mortgage rate and borrowed an additional \$575,000 in a separate mortgage note payable to renovate and refurbish the dormitory. 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 \$62,500 through October 31, 2019, then increased to \$62,750 for the remainder of the fiscal year, 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, 2020 financial activities consist of monthly lease receipts, mortgage payments, and the recognition of certain costs (depreciation) 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 2020 fiscal year.

See independent auditors' report.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ <u>5,838</u>	\$ <u>11,715</u>
TOTAL CURRENT ASSETS	5,838	11,715
PROPERTY AND EQUIPMENT, Net	<u>5,436,642</u>	<u>5,690,092</u>
	<u>\$ 5,442,480</u>	<u>\$ 5,701,807</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of mortgage notes payable	\$ <u>598,881</u>	\$ <u>563,880</u>
TOTAL CURRENT LIABILITIES	598,881	563,880
LONG-TERM LIABILITIES		
Mortgage notes payable	<u>2,930,062</u>	<u>3,590,402</u>
TOTAL LIABILITIES	3,528,943	4,154,282
NET ASSETS		
Invested in capital assets, net of related debt	1,907,699	1,535,810
Unrestricted	<u>5,838</u>	<u>11,715</u>
	<u>1,913,537</u>	<u>1,547,525</u>
	<u>\$ 5,442,480</u>	<u>\$ 5,701,807</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Lease income	\$ 751,250	\$ 747,500
OPERATING EXPENSES		
Depreciation	253,450	253,450
Contractual services	7,221	7,242
Materials and supplies	<u>-</u>	<u>41</u>
	<u>260,671</u>	<u>260,733</u>
OPERATING INCOME	490,579	486,767
NONOPERATING EXPENSE		
Interest expense	<u>124,567</u>	<u>154,768</u>
CHANGES IN NET ASSETS	366,012	331,999
BEGINNING NET ASSETS	<u>1,547,525</u>	<u>1,215,526</u>
ENDING NET ASSETS	\$ <u>1,913,537</u>	\$ <u>1,547,525</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Rents and fees collected	\$ 751,250	\$ 747,500
Payments to vendors	(7,221)	(7,283)
Payments for interest expense	(124,567)	(154,768)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 619,462	 585,449
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	(625,339)	(592,341)
 NET CASH USED IN FINANCING ACTIVITIES	 (625,339)	 (592,341)
 NET DECREASE IN CASH	 (5,877)	 (6,892)
 CASH AT BEGINNING OF YEAR	 <u>11,715</u>	 <u>18,607</u>
 CASH AT END OF YEAR	 <u>\$ 5,838</u>	 <u>\$ 11,715</u>
 RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	\$ 366,012	\$ 331,999
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	<u>253,450</u>	<u>253,450</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 619,462</u>	 <u>\$ 585,449</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

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 Florida Public Safety Institute. 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. The Organization is a component unit of Tallahassee Community College and is included in the College's annual report.

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 thirty-nine (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 life of five (5) to seven (7) years on a straight line basis.

Income Taxes - The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Organization has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

Cash Equivalents - For purposes of the statement of cash flows, all highly liquid instruments with a maturity of three (3) 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, 2020 and 2019

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, 1989 FASB and AICPA pronouncements."

Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to March 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2020. 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 (10) 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 ninety-nine (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 \$62,500 through October 31, 2019, then increased to \$62,750 for the remainder of the fiscal year, with automatic annual lease renewals unless thirty (30) day prior notice of cancellation is given by either party. Total lease income earned amounted to \$751,250 and \$747,500 for the years ended March 31, 2020 and 2019, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2020 and 2019, is summarized as follows:

	2020	2019
Building	\$ 8,491,790	\$ 8,491,790
Furniture and equipment	<u>592,650</u>	<u>592,650</u>
	9,084,440	9,084,440
Accumulated depreciation	<u>(3,647,798)</u>	<u>(3,394,348)</u>
	<u>\$ 5,436,642</u>	<u>\$ 5,690,092</u>

Depreciation expense for the years ended March 31, 2020 and 2019 amounted to \$253,450 for each year.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTES 4 - MORTGAGE NOTES PAYABLE

Mortgage notes payable as of March 31, 2020 and 2019, were as follows:

	2020	2019
<p>\$6,017,876 refinanced mortgage note payable executed November 10, 2014 with Gadsden County, Florida and assigned to a commercial lender; bearing interest at 2.75% through December 31, 2017, then at 3.34% until August 31, 2019, and thereafter a floating rate equal to 70% of the prime rate of JPMorgan Chase Bank, with a floor in all cases of 2.45%; payable in monthly installments of principal and interest, maturing June 1, 2025. The 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>	\$ 3,168,375	\$ 3,730,688
<p>\$575,000 mortgage note payable executed November 10, 2014, with Gadsden County, Florida and assigned to a commercial lender. The note bears interest at 3.99% until August 31, 2019, and thereafter a floating rate equal to 70% of the prime rate of JPMorgan Chase Bank, with a floor in all cases of 3.25%; payable in monthly installments of principal and interest; maturing June 1, 2025. The 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>	<u>360,568</u> 3,528,943	<u>423,594</u> 4,154,282
<p>Less current portion</p>	(<u>598,881</u>)	(<u>563,880</u>)
	\$ <u>2,930,062</u>	\$ <u>3,590,402</u>

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTES 4 - MORTGAGE NOTES PAYABLE (Continued)

As of March 31, 2020, the scheduled maturities of the mortgage notes payable were as follows:

	<u>Principal</u>	<u>Interest</u>
March 31, 2021	\$ 598,881	\$ 83,987
2022	659,144	66,713
2023	678,643	49,759
2024	698,651	32,304
2025	719,417	14,310
Thereafter	<u>174,207</u>	<u>710</u>
	<u>\$ 3,528,943</u>	<u>\$ 247,783</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.
Havana, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Safety Academy Housing, Inc. (a Florida nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated September 11, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomson Black & Lynch Company

Tallahassee, Florida
September 11, 2020

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

August 24, 2020

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

We have audited the financial statements of Tallahassee Community College Foundation, Inc. (the "Foundation") for the years ended March 31, 2020 and 2019, and have issued our report thereon dated August 24, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 10, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Tallahassee Community College Foundation, Inc. are described in Note 1 to the financial statements. Accounting policies have been updated for the Implementation of Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The allowance for collection losses on unconditional promises to give in the amount of \$53,899 and \$77,154, as of March 31, 2020 and 2019, respectively, is an estimate by management on its expected ability to collect outstanding receivables recorded at its years ended.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We experienced no difficulties encountered in performing the audit except the following:

Various adjusting journal entries were necessary in order to prepare the financial statements in accordance with Generally Accepted Accounting Principles, a schedule of which is attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 24, 2020

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

There were current year management recommendations required to be communicated in a separate letter titled Management Letter for the fiscal year ended March 31, 2020.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Tallahassee Community College Foundation, Inc.

August 24, 2020

Page 3

This information is intended solely for the use of the board and management of Tallahassee Community College Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Block Asset Company

August 24, 2020

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THOMSON BROCK
LUGER & COMPANY

Certified Public Accountants and Business Advisors

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FRED C. LUGER, C.P.A.
MATTHEW R. HANSARD, C.P.A.
ANN MARIE BACHMAN, C.P.A.
GREGORY J. COCHRAN, C.P.A.

JOHN K. KIRK, C.P.A.
KELLY VAZQUEZ, C.P.A.

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

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Tallahassee Community College Foundation, Inc. (the "Foundation") as of and for the years ended March 31, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

However, during our audits, we have become aware of matters that are an opportunity for strengthening internal control and operating efficiency. This letter does not affect our report dated August 24, 2020, on the financial statements of the Foundation.

We will review the status of these comments during our next audit engagement. We have already discussed these matters previously with the audit committee and with certain Foundation personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing any recommendations. Our comments are summarized as follows:

Prior Year's Recommendations

1. **Inter-fund Transfers (RESOLVED)** - In prior years, we noted transfers that were recorded to revenue and expense accounts instead of utilizing the transfer accounts. Because of this, revenue and expenses were misstated due to these adjustments. We recommended that management use the transfer accounts when performing inter-fund transfers. Additionally, in the prior year, we noted a transfer of \$100,000 of cash from non-endowed investments to the endowed investment pool that used the transfer funds account. Transfers of assets within the same fund do not require use of the transfer accounts. We continue to recommend that management use the transfer accounts when transferring assets between funds.

2. GAAP Adjusting Entries - In the prior year, various adjusting journal entries were required for the financial statements to be in accordance with Generally Accepted Accounting Principles. We recommended that management review these areas at year end and perform the necessary adjustments to close the books for GAAP basis financial statements. In the current year, adjusting entries were required in the following various categories:

- a. Reconciling net assets with prior year audited financial statements
- b. Reconciling pledge balance with Raisers Edge software and recording for change in time value of money and allowance for doubtful accounts

We continue to recommend that management review these areas at year end and perform the necessary adjustments to close the books for GAAP basis financial statements.

3. Update and Review Endowment Investment Allocation (RESOLVED) - In the prior year, we identified investment earnings of \$88,856 that had not been allocated to accumulated gains and term endowment funds. This resulted in negative fund balances in some accounts. Management approved an adjustment to allocate these earnings to the accumulated gains and term endowment funds within the current year.

Current Year's Recommendations

1. Review of Endowment Allocations - In the current year, we discovered that when endowment allocations are performed there is not an authorization review or sign-off of the allocation, only of the investment reconciliation. In addition, there is no review to ensure that all endowment funds are included in the allocation. We recommend that each endowment allocation entry be reviewed and approved and that reports are run monthly to ensure that all endowed funds are included in the allocation entry.

We wish to thank the Executive Director and her staff for their support and timely assistance during our audit.

The report is intended solely for the information and use of the Board of Directors, management, and others within the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Block Impact Company

Tallahassee, FL
August 24, 2020

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

FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses 2020	5
Statement of Functional Expenses 2019	6
Statements of Cash Flows	7 - 8
Notes to Financial Statements	9 - 19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20 - 21

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Tallahassee Community College Foundation, Inc. (a Florida non-profit organization) which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

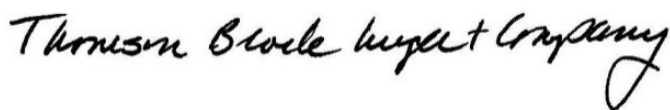
Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tallahassee Community College Foundation, Inc. as of March 31, 2020 and 2019, and the changes in 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 24, 2020, 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* in considering Tallahassee Community College Foundation, Inc.'s internal control over financial reporting and compliance.



Tallahassee, Florida
August 24, 2020

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 104,455	\$ 31,456
Non-endowed investments	1,988,729	2,122,631
Due from Tallahassee Community College	-	10,962
Contributions receivable, net	1,074,297	1,421,059
Prepaid expenses	2,400	7,400
Cash restricted for endowment purposes	43,291	164,098
Investments restricted for endowment purposes	12,111,165	13,104,597
Land held for sale, investment, and development	325,000	636,000
Collectibles and other assets	<u>25,655</u>	<u>33,231</u>
	<u>\$ 15,674,992</u>	<u>\$ 17,531,434</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 44,654	\$ 69,204
Deferred revenue	<u>-</u>	<u>2,850</u>
	44,654	72,054
Net Assets:		
Without donor restrictions	889,041	846,200
With donor restrictions	<u>14,741,297</u>	<u>16,613,180</u>
	<u>15,630,338</u>	<u>17,459,380</u>
	<u>\$ 15,674,992</u>	<u>\$ 17,531,434</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended March 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS & OTHER						
In-kind contributions	\$ 604,039	\$ -	\$ 604,039	\$ 736,249	\$ -	\$ 736,249
Non-cash contributions	-	43,076	43,076	-	123,056	123,056
Investment income, net	15,722	(1,433,562)	(1,417,840)	63,641	7,838	71,479
Private contributions	44,295	935,051	979,346	57,541	1,226,945	1,284,486
Miscellaneous	5,422	26,925	32,347	36,945	25,999	62,944
Special events	204,808	-	204,808	189,014	-	189,014
Net assets released from restrictions:						
Satisfaction of program restrictions	1,311,841	(1,311,841)	-	1,064,912	(1,064,912)	-
Satisfaction of time restrictions	104,324	(104,324)	-	64,962	(64,962)	-
Transfers	27,208	(27,208)	-	(145,848)	145,848	-
	<u>2,317,659</u>	<u>(1,871,883)</u>	<u>445,776</u>	<u>2,067,416</u>	<u>399,812</u>	<u>2,467,228</u>
EXPENSES						
Educational activities	1,422,670	-	1,422,670	1,382,980	-	1,382,980
General and administrative expenses	630,343	-	630,343	548,611	-	548,611
Development activities	221,805	-	221,805	255,608	-	255,608
	<u>2,274,818</u>	<u>-</u>	<u>2,274,818</u>	<u>2,187,199</u>	<u>-</u>	<u>2,187,199</u>
CHANGE IN NET ASSETS	42,841	(1,871,883)	(1,829,042)	(119,783)	399,812	280,029
BEGINNING NET ASSETS	846,200	16,613,180	17,459,380	965,983	16,213,368	17,179,351
ENDING NET ASSETS	<u>\$ 889,041</u>	<u>\$ 14,741,297</u>	<u>\$ 15,630,338</u>	<u>\$ 846,200</u>	<u>\$ 16,613,180</u>	<u>\$ 17,459,380</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2020

	2020			
	Educational Activities	General and Administrative	Development Activities	Total
Scholarships	\$ 502,668	\$ -	\$ -	\$ 502,668
Academic and athletic support	445,286	20,281	213	465,780
Personnel services	261,775	116,398	54,508	432,681
Materials and supplies	132,726	48,821	34,725	216,272
Contract services	10,178	127,304	58,769	196,251
Hospitality and event expenses	40,494	17,795	36,849	95,138
Honoraria and awards	11,684	45,090	5,933	62,707
Facility costs	-	60,583	-	60,583
Professional fees	-	56,941	-	56,941
Advertising	7,031	13,361	13,514	33,906
Miscellaneous expenses	-	32,251	1,096	33,347
Printing and postage	1,648	16,336	5,737	23,721
Bad debt	-	21,065	-	21,065
Rental	1,145	14,495	4,950	20,590
Travel	2,964	11,919	4,099	18,982
Business meeting expense	4,135	8,164	844	13,143
Dues and subscriptions	411	5,809	568	6,788
Bank fees	-	6,297	-	6,297
Insurance	-	5,617	-	5,617
Training expense	525	952	-	1,477
Licenses	-	864	-	864
	<u>\$ 1,422,670</u>	<u>\$ 630,343</u>	<u>\$ 221,805</u>	<u>\$ 2,274,818</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2019

	2019			
	Educational Activities	General and Administrative	Development Activities	Total
Scholarships	\$ 571,580	\$ -	\$ -	\$ 571,580
Academic and athletic support	404,582	1,233	-	405,815
Personnel services	315,634	187,101	89,168	591,903
Materials and supplies	14,649	20,646	15,725	51,020
Contract services	17,821	106,363	48,198	172,382
Hospitality and event expenses	7,512	25,583	54,767	87,862
Honoraria and awards	30,228	911	2,636	33,775
Facility costs	-	60,583	-	60,583
Professional fees	-	35,630	-	35,630
Advertising	1,240	10,030	22,136	33,406
Miscellaneous expenses	500	28,868	2,612	31,980
Printing and postage	3,823	17,487	10,925	32,235
Bad debt	-	15,599	-	15,599
Rental	1,278	1,853	4,307	7,438
Travel	6,890	11,151	1,776	19,817
Business meeting expense	643	9,121	3,313	13,077
Dues and subscriptions	2,023	3,095	45	5,163
Bank fees	-	5,608	-	5,608
Insurance	-	6,176	-	6,176
Training expense	4,577	1,573	-	6,150
Licenses	-	-	-	-
	<u>\$ 1,382,980</u>	<u>\$ 548,611</u>	<u>\$ 255,608</u>	<u>\$ 2,187,199</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Support from private and public	\$ 1,152,245	\$ 1,149,276
Investments, net of fees	<u>331,912</u>	<u>443,549</u>
	1,484,157	1,592,825
Payments for scholarships and suppliers	(<u>1,639,678</u>)	(<u>1,267,748</u>)
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(155,521)	325,077
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(15,361,997)	(1,344,387)
Gross sales and purchases	14,950,579	448,378
Proceeds from sale of land held for investment	<u>100,000</u>	<u>-</u>
CASH USED IN INVESTING ACTIVITIES	(311,418)	(896,009)
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions restricted for investment endowment	<u>419,131</u>	<u>708,233</u>
CASH PROVIDED BY FINANCING ACTIVITIES	<u>419,131</u>	<u>708,233</u>
(DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(47,808)	137,301
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>195,554</u>	<u>58,253</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ <u><u>147,746</u></u>	\$ <u><u>195,554</u></u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS (Continued)
Years Ended March 31, 2020 and 2019

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$(1,829,042)	\$ 280,029
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss on investments	1,792,316	1,144,982
Realized gain on sale of investments	(253,564)	(772,912)
Realized loss on sale of land held for sale, investment, and development	211,000	-
Non-cash contributions	7,576	117,196
(Increase) decrease in:		
Prepaid expenses	5,000	500
Due from Tallahassee Community College	10,962	-
Contributions receivable	346,762	275,793
Increase (decrease) in:		
Accounts payable	(24,550)	(13,418)
Deferred revenue	(2,850)	1,140
Contributions restricted for investment endowment	(<u>419,131</u>)	(<u>708,233</u>)
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$(<u>155,521</u>)	\$ <u>325,077</u>
SUPPLEMENTARY NON-CASH DISCLOSURE:		
Prepaid gift cards	\$ 22,000	22,000
Gift cards distributed to students	(29,576)	(16,196)
Equipment, furniture, and supplies	11,076	-
Equipment, furniture, and supplies gifted to College	(11,076)	-
Artwork	10,000	6,500
Artwork gifted to College	(10,000)	(6,500)
Dentistry equipment	-	17,784
Dentistry equipment gifted to College	-	(17,784)
Theatre equipment	-	1,960
Theatre equipment gifted to College	-	(1,960)
Mine safety program equipment and conference	-	29,499
Mine safety program equipment and conference gifted to College	-	(29,499)
Classroom renovations	-	45,312
Classroom renovations gifted to College	-	(45,312)
Land gifted to College	-	(<u>123,000</u>)
	\$(<u>7,576</u>)	\$(<u>117,196</u>)

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Tallahassee Community College Foundation, Inc. (the “Foundation”) 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, donated services from the college, fund raising events, and earnings from its managed investment pools.

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

Basis of Accounting and Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation’s net assets and changes thereto are classified and reported as follows:

- Net assets without donor restrictions - consists of amounts that are available for use in carrying out the supporting activities of the Foundation and are not subject to donor-imposed stipulations.
- Net assets with donor restrictions - consists of amounts that are available for the purposes restricted by donors and grantors, a time restriction, or to be held in perpetuity with earnings restricted for a specific purpose. When a restriction is satisfied, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions 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 other assets in the financial statements.

Income Taxes - The Foundation is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Foundation has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

Due to its tax-exempt status, the Foundation is not subject to U.S. federal income tax or state income tax. The Foundation’s Form 990 has not been subject to examination by the Internal Revenue Service or the state of Florida for the last three (3) years. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve (12) months.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation recognizes interest and/or penalties related to income tax matters in income tax expense. The Foundation did not have any amounts accrued for interest and penalties at March 31, 2020 and 2019.

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 (3) months or less to be cash, cash equivalents, or restricted cash.

The following are amounts for cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

	2020	2019
Cash and cash equivalents	\$ 104,455	\$ 31,456
Cash restricted for endowment purposes	43,291	164,098
	\$ 147,746	\$ 195,554

Investment Income - Unless stipulated by donor agreement, investment income earned on investments held with donor restrictions is recognized as investment income without restriction.

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.

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 changes in net assets. In-kind salaries and benefits provided by the College are allocated on management's estimate of time and effort. All other expenses are recorded based on the nature of the expense directly related to the functional category.

Fair Value of Financial Instruments - The Foundation's 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, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2020. Management has performed their analysis through the date of this report.

Reclassifications - Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 2 - RELATED PARTY TRANSACTIONS

Personnel and certain facility costs are provided to the Foundation by the College. For the years ended March 31, 2020 and 2019, the Foundation has recorded these donated services at \$432,681 and \$591,903 for personnel services, \$60,583 and \$60,583 for facility costs, and \$110,775 and \$83,763 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 3.25% and 5.55%, after providing for collection losses for the years ended March 31, 2020 and 2019, respectively. A summary of contributions to be collected follows:

	2020	2019
In one year or less	\$ 847,394	\$ 707,151
Between one year and ten years	294,514	863,188
	1,141,908	1,570,339
Less:		
Allowance for collection losses	(53,899)	(77,154)
Discounts for time-value of money	(13,712)	(72,126)
	\$ 1,074,297	\$ 1,421,059

The Foundation is the beneficiary of conditional promises to give. A conditional promise requires a future event to take place before the promise becomes binding on the donor. Typically, the Foundation has no control over the required event. As of March 31, 2020 and 2019, the Foundation was the beneficiary of various promises to give that did not meet recognition criteria of approximately \$3,478,631 and \$3,346,298, respectively. No receivable was recorded for these conditional pledges, nor was future support recognized.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 4 - INVESTMENTS

Investments are carried at fair value; realized and unrealized gains and losses are reflected in investment income, net, in the statement of activities.

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

	<u>2020</u>	<u>2019</u>
Investment pool	\$ 12,111,165	\$ 13,104,597
Bond mutual and exchange traded funds	1,988,729	1,944,416
Money market funds	-	178,212
State Board of Administration funds	-	<u>3</u>
	<u>\$ 14,099,894</u>	<u>\$ 15,227,228</u>

March 31, 2020

Investment pool consists of 93% in mutual funds, 0% in exchange traded products, 6% in FEG pooled investment funds, and less than 1% in demand deposits as of March 31, 2020.

March 31, 2019

Investment pool consists of 56% in mutual funds, 36% in exchange traded products, 7% in FEG pooled investment funds, and less than 1% in demand deposits as of March 31, 2019.

State Board of Administration funds consist of 100% in variable and fixed rate corporate commercial paper and notes as of March 31, 2019.

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>2020</u>	<u>2019</u>
Interest and dividends income	\$ 379,564	\$ 499,704
Net realized gain on sales of investments	253,564	772,912
Net unrealized loss on investments	(1,792,316)	(1,144,982)
Investment fees	(47,652)	(56,155)
Realized loss on land sale	<u>(211,000)</u>	<u>-</u>
	<u>\$ (1,417,840)</u>	<u>\$ 71,479</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.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 5 - FAIR VALUE MEASUREMENTS

The FASB guidance on fair value measurements 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 closely-managed investment funds and land held for sale and investment are based on program management's estimate of the underlying value of the net assets and market appraisals of similar assets, respectively.
- 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.

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.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

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

	<u>Fair Value Measurements at March 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments restricted for endowment purposes:				
Money market funds	\$ 68,116	\$ -	\$ -	\$ 68,116
Domestic equity securities	5,801,913	-	-	5,801,913
International equity securities	3,891,392	-	-	3,891,392
Domestic bond mutual funds	1,092,268	-	-	1,092,268
International bond mutual funds	470,931	-	-	470,931
FEG pooled investments	<u>-</u>	<u>786,545</u>	<u>-</u>	<u>786,545</u>
Total investments restricted for endowment purposes	11,324,620	786,545	-	12,111,165
Non-endowed investments:				
Equity mutual funds	435,514	-	-	435,514
Bond mutual and ETFs	<u>1,553,215</u>	<u>-</u>	<u>-</u>	<u>1,553,215</u>
Total non-endowed investments	1,988,729	-	-	1,988,729
Nonfinancial assets:				
Land	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>325,000</u>
Total assets	<u>\$ 13,313,349</u>	<u>\$ 1,111,545</u>	<u>\$ -</u>	<u>\$ 14,424,894</u>

	<u>Fair Value Measurements at March 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments restricted for endowment purposes:				
Money market funds	\$ 105,533	\$ -	\$ -	\$ 105,533
Domestic equity securities	8,527,387	-	-	8,527,387
International equity securities	3,614,331	-	-	3,614,331
FEG pooled investment funds	<u>-</u>	<u>857,346</u>	<u>-</u>	<u>857,346</u>
Total investments restricted for endowment purposes	12,247,251	857,346	-	13,104,597
Non-endowed investments:				
Money market funds	178,212	-	-	178,212
Bond mutual and ETFs	1,944,416	-	-	1,944,416
Commercial paper and notes	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
Total non-endowed investments	2,122,628	3	-	2,122,631
Nonfinancial assets:				
Land	<u>-</u>	<u>636,000</u>	<u>-</u>	<u>636,000</u>
Total assets	<u>\$ 14,369,879</u>	<u>\$ 1,493,349</u>	<u>\$ -</u>	<u>\$ 15,863,228</u>

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

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

Land held for sale, investment, and development currently consists of one (1) parcel of real property. As market conditions change, the parcel's appraised value can suffer impairment losses from the 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. During the current year, the Foundation sold the parcel located at Lake Shore Drive and Sharer Road. A summary of land held for sale, investment, and development is as follows:

	<u>2020</u>	<u>2019</u>
Approximately forty-eight (48) acres, Dr. MLK Jr. Road, Crawfordville, Florida	\$ 605,000	\$ 605,000
Approximately thirty-five (35) acres, Lake Shore Drive and Sharer Road	-	934,000
Impairment loss	(<u>280,000</u>)	(<u>903,000</u>)
	<u>\$ 325,000</u>	<u>\$ 636,000</u>

NOTE 7 - BOARD DESIGNATED NET ASSETS WITHOUT RESTRICTION

On January 26, 2012, the Board unanimously approved the designation of \$500,000 from net assets without restriction 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. As of March 31, 2020 and 2019, board designated net assets without restriction remaining for the HPE Surgical Technology Program and the Ghazvini Fund amounted to \$102,695 for each year, respectively.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of March 31, 2020 and 2019, are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Scholarships and grants	\$ 818,576	\$ 998,022
Academic, student programs and support	1,464,593	1,126,848
Land	-	311,000
Pledges receivable with purpose restrictions, net	<u>720,019</u>	<u>869,438</u>
	3,003,188	3,305,308
Subject to the passage of time:		
Pledges receivable without restrictions, net	121,724	161,617
Land	<u>325,000</u>	<u>325,000</u>
	446,724	486,617

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Subject to spending policy and appropriation:		
Accumulated gains and term endowments	3,153,589	5,168,429
Pledges receivable to be held in perpetuity, net	232,554	390,005
Endowment funds restricted in perpetuity	<u>7,905,242</u>	<u>7,262,821</u>
	<u>11,291,385</u>	<u>12,821,255</u>
 TOTAL NET ASSETS WITH DONOR RESTRICTIONS	 \$ <u>14,741,297</u>	 \$ <u>16,613,180</u>

NOTE 9 - ENDOWMENTS

The Foundation's endowments consist of one hundred thirty (130) donor restricted funds. 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. Donor-restricted endowments are classified as net assets with donor restrictions.

Interpretation of Relevant Law - Florida has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which became effective on 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. Although UPMIFA does not preclude the Foundation from spending below the original gift value of donor-restricted endowments, the Foundation considers a fund to be "underwater" if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has adopted a policy to not spend from "underwater" endowments unless directed otherwise by the donor.

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 (5) year moving average of endowment fund balances starting from the most recent calendar year end. If an endowment does not have five (5) years of historical returns, then the calendar 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.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 9 - ENDOWMENTS (Continued)

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 and expenses. The Board of Directors considers and seeks to minimize appropriate risks when overseeing the funds managed by its contracted investment advisor and selecting its 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 assets composition by type of fund as of March 31, 2020:

	With Donor Restrictions		
	Original Gift Amount	Accumulated Gains and Other	Total Funds
Donor-restricted endowment funds	\$ 8,137,796	\$ 3,153,589	\$ 11,291,385
	With Donor Restrictions		
	Original Gift Amount	Accumulated Gains and Other	Total Funds
Endowment net assets, beginning of year	\$ 7,652,826	\$ 5,168,429	\$ 12,821,255
Investment return, net	-	(1,181,368)	(1,181,368)
Contributions	245,854	-	245,854
Transfers	239,116	(269,416)	(30,300)
Amounts appropriated for expenditure	-	(564,056)	(564,056)
	\$ 8,137,796	\$ 3,153,589	\$ 11,291,385

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 9 - ENDOWMENTS (Continued)

Endowment net assets composition by type of fund as of March 31, 2019:

	With Donor Restrictions		
	Original Gift	Accumulated	Total Funds
	Amount	Gains and Other	
Donor-restricted endowment funds	\$ <u>7,652,826</u>	\$ <u>5,168,429</u>	\$ <u>12,821,255</u>

	With Donor Restrictions		
	Original Gift	Accumulated	Total Funds
	Amount	Gains and Other	
Endowment net assets, beginning of year	\$ 7,062,118	\$ 5,673,596	\$ 12,735,714
Investment return, net	-	7,838	7,838
Contributions	590,708	-	590,708
Amounts appropriated for expenditure	-	(513,005)	(513,005)
	\$ <u>7,652,826</u>	\$ <u>5,168,429</u>	\$ <u>12,821,255</u>

NOTE 10 – UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in forty-two (42) donor-restricted endowment funds, which together have an original gift value of \$2,034,170, a current fair value of \$1,786,218, and a deficiency of \$247,952 as of March 31, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains demand deposits at a financial institution located in Leon County, Florida. As of March 31, 2020 and 2019, accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation or Security Investor Protection Corporation, or insured in full under Florida Statute Chapter 280, Security for Public Deposits. At March 31, 2020 and 2019, the Foundation's uninsured cash balances amounted to \$0 for each year, respectively.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020 and 2019

NOTE 12 - COMMITMENTS

As of March 31, 2020 and 2019, the Foundation maintains programmatic grant commitments to the College in the amounts of \$252,430 and \$222,675 for promises to give conditional upon the College's satisfaction of compliance with donor/grantor restrictions.

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one (1) year of the statements of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 104,455	\$ 31,456
Add: Non-endowed investments	1,988,729	2,122,631
Add: Due from Tallahassee Community College	-	10,962
Add: Current portion of contributions receivable without restrictions, net	76,104	86,348
Add: Current portion of contributions receivable with purpose restrictions, net	<u>731,293</u>	<u>404,929</u>
	<u>\$ 2,900,581</u>	<u>\$ 2,656,326</u>

It is the Foundation's policy to employ cash at all times in short term cash equivalents to provide safety, liquidity and return. The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment return of its available funds. The Foundation has various sources of liquidity at its disposal, including cash, cash equivalents, bond mutual funds and exchange traded funds.

For the purposes of analyzing resources available to meet general expenditures over a twelve (12) month period, the Foundation considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. Endowment spending and endowed assets are not included in this calculation, refer to Note 9 for information on the Endowment spending policy of the Foundation.

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.
GREGORY J. COCHRAN, C.P.A.

JOHN K. KIRK, C.P.A.
KELLY VAZQUEZ, 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***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tallahassee Community College Foundation, Inc. (a Florida non-profit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated August 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Tallahassee Community College Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tallahassee Community College Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Tallahassee Community College Foundation, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Tallahassee Community College Foundation, 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomson Black Lupert Company

Tallahassee, Florida
August 24, 2020