

**PENSACOLA JUNIOR COLLEGE
FOUNDATION, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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FOUNDATION, INC.**

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INDEPENDENT AUDITOR'S REPORT

Board of Governors
Pensacola Junior College Foundation, Inc.
Pensacola, Florida

We have audited the accompanying statements of net assets of Pensacola Junior College Foundation, Inc., [a 501(c)(3) nonprofit corporation], hereinafter referred to as the Foundation, as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note A-2, the accompanying financial statements present only the financial position, results of operations and cash flows of the Foundation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009 on our consideration of the Foundation'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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

O'Sullivan Creel, LLP

July 31, 2009

(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Pensacola Junior College Foundation's ("Foundation") financial statements provides an overview of the Foundation's financial activities for the fiscal year ended June 30, 2009, with comparative information for the fiscal year ended June 30, 2008. This report includes a presentation of the financial statements prepared in accordance to GASB as this is the presentation used in the Pensacola Junior College ("College") Annual Financial Report. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information on the Foundation as a whole and present a long-term view of the Foundation's finances. Foundation management has prepared the financial statements and related note disclosures along with the discussion and analysis. The responsibility for the completeness and fairness of this information rests with Foundation management.

The Pensacola Junior College Foundation is a Florida not-for-profit corporation formed in 1965 to encourage, solicit, receive and administer gifts and bequests of property and funds for scientific, educational and charitable purposes, all for the advancement of the Pensacola Junior College and its objectives. The Foundation is a direct support organization of the College.

FINANCIAL HIGHLIGHTS

Although no state revenue was received from the State of Florida during FY 2009, the Foundation's operating revenues show an increase. No state match revenue was received as the State of Florida decided to defer funding for the FY 2009 Dr. Philip Benjamin Matching Program. Contributions, in-kind donations, and other operating revenues all show an increase. The increase in contributions is primarily attributed to the Foundation receiving a major gift of \$1,487,000 from an anonymous Trust.

Though the first nine months of the fiscal year were challenging in the investment markets, the second quarter of 2009 proved to be quite positive leaving the Foundation account only down 13.07% for the year. For the Fiscal year ending 6/30/09, the Foundation account earned 3.45% per year since inception (4/1/02) net of all fees. The account remains well-diversified and moderately invested, targeting a 60% equity and 40% fixed income mix.

The Foundation continues to provide financial support to the College in terms of scholarships, technical equipment, and other educational activities benefiting the students and community.

USING THIS REPORT

The Foundation is a component unit of the College. Although legally separate, this component unit supports the mission of the College by providing funding and services to support and foster the pursuit of higher

education at the College. The College is financially accountable for the Foundation, and the College reports the Foundation's financial activities to the State of Florida.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the Foundation as a whole and on its activities in a way that helps the reader determine if the Foundation is in a better position from one year to the next, and the statements allow the reader to analyze the information over long periods of time. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the Foundation's operating results. These two statements report the Foundation's change in net assets. The Foundation's net assets, which is the difference between assets and liabilities, is one way to measure the Foundation's financial health, or financial position. Over time, increases or decreases in the Foundation's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider many other financial and non-financial factors, such as certain trends in Legislative funding as it relates to donations matched by the State of Florida Matching Program and the indirect support [staffing and facilities] provided by the College and the economy as it relates to investment fluctuations and pledge fulfillment to assess the overall health of the Foundation.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Foundation's statements present consolidated results for three separate self-balancing funds:

- Unrestricted—Representing funds that are available without restriction for carrying out the Foundation's objectives.
- Restricted funds include:

Expendable—Represents funds that are subject to donor, grantor, or other outside party restrictions to use for the benefit of various programs at the College, including the expendable portion of endowment funds.

Nonexpendable—Represents the nonexpendable portion of endowment funds that are subject to donor, grantor, or other outside party restrictions for the benefit of various programs at the College. Earnings on endowment funds are included in expendable funds for expenditure.

THE STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities, and net assets of the Foundation as of the end of the fiscal year. Its purpose is to present to the readers of the financial statements a snapshot of the

Foundation at a certain point in time. The statement of net assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities).

From the data presented, readers of the statement of net assets are able to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes vendors. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the Foundation.

Net assets are divided into two major categories. The first category is unrestricted net assets. Unrestricted net assets are available for any lawful purpose of the Foundation and College. The second category is restricted net assets, which is divided into two categories, non-expendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the Foundation, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The assets, liabilities, and net assets of the Foundation as of June 30, 2009, and June 30, 2008, are summarized in the following table:

Assets, Liabilities, and Net Assets at June 30

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current Assets	\$ 6,244,365	\$ 18,877,804
Noncurrent Assets	8,691,507	8,835,122
	<u>14,935,872</u>	<u>27,712,926</u>
<u>Liabilities</u>		
Current Liabilities	118,416	11,701,769
Noncurrent Liabilities	67,189	82,629
Total Liabilities	<u>185,605</u>	<u>11,784,398</u>
<u>Net Assets</u>		
Unrestricted	977,240	1,162,019
Restricted		
Permanent Endowments-Nonexpendable	8,079,876	7,906,796
Expendable	<u>5,693,151</u>	<u>6,859,713</u>
Total Net Assets	<u>\$ 14,750,267</u>	<u>\$ 15,928,528</u>

A review of the Foundation's statement of net assets at June 30, 2009 and June 30, 2008, shows that the Foundation is utilizing its net assets for programs and operations. The total assets for the Foundation decreased from the 2008 to 2009 fiscal year. This decrease was attributed to the State of Florida deferring its match for private Foundation donations and the continued expenditures to the College to support program

activities. The liabilities of the Foundation primarily include amounts due to the College. Current assets consisted primarily of cash, cash equivalents and other investments.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Changes in total net assets as presented on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of this statement is to present the revenues earned by the Foundation and the expenses incurred by the Foundation.

Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities which are in support of the College's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, and administer charitable contributions for the College. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions.

Revenues and expenses of the Foundation for the fiscal years ended June 30, 2009, and June 30, 2008, are presented in the following table:

Operating Results for the Fiscal Years		
	2009	2008
Operating Revenues	\$ 3,125,222	\$ 2,028,538
Operating Expenses	2,747,137	2,138,000
Operating income (Loss)	378,085	(109,462)
Nonoperating Revenues (Expenses)	(1,748,647)	(341,494)
Other Changes in Net Assets	192,301	819,428
Increase (Decrease) in Net Assets	(1,178,261)	368,472
Net Assets, Beginning of Year	15,928,528	15,560,056
Net Assets, End of Year	\$ 14,750,267	\$ 15,928,528

The statement of revenues, expenses, and changes in net assets for the 2009 fiscal year shows a decrease in net assets of \$ (1,178,261) for the Foundation.

The Foundation continued to receive private donations as well as earning income on investments for the 2009 fiscal year. Operating expenses of the Foundation for the 2009 and 2008 fiscal years are presented in the following table:

Operating Expenses

	2009	2008
Program services	\$ 2,118,673	\$ 1,527,598
Management and general	387,950	392,885
Fundraising services	240,514	217,517
Total Operating Expenses	\$ 2,747,137	\$ 2,138,000

The increase in operating expenses for the 2009 fiscal year was primarily due to equipment purchases for the College's departments.

STATEMENT OF CASH FLOWS

The Cash Flow Statement is important to readers because it shows the Foundation's ability to generate cash required for its operations and payment of obligations in a timely fashion. It also provides information as to the decisions made by management as to the use of cash available.

The Statement of Cash Flows shows the cash provided by and used in operating, investing, and non-capital financing activities.

- Operating activities include funds received (i.e. from private donors) and payments (i.e. for scholarships, programmatic equipment, materials and supplies, and suppliers for goods and services) made for the Foundation and College departments.
- Investing activities represent funds used to purchase investments and the associated investment earnings.
- Non-capital and related financing activities include funds received for permanent endowments and other related activities.

This information is consolidated to show the total increase or decrease in cash for the year as shown on the Statement of Net Assets. A reconciliation is provided that shows how the operating income (loss) as shown on the Statement of Revenues, Expenses, and Changes in Net Assets is related to the net cash generated or consumed by operations. The difference between operating income (loss) and net cash provided by operating activities occurs because of the use of accrual accounting. Income will reflect revenues earned but

not collected in cash and expenses incurred but not paid as of the end of the year. Thus, operating income (loss) may be more or less than net cash provided by operating activities.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Foundation as well as the College will most likely continue to experience the results of the economic downturn. In addition to the increased competition for raising private donations, the State of Florida decided to defer funding for the FY 2010 Dr. Philip Benjamin Matching Program. Although this will reduce the amount of funds available for scholarships and equipment for PJC departments, the Foundation has restricted net assets that should adequately fulfill the FY2010 requests of the College. The Foundation is not aware of other current known facts, decisions, or conditions that are expected to have a significant effect on the overall financial position or results of operations during the 2010 fiscal year. The Foundation's overall financial position can be affected by worldly events, State Legislative changes, and market fluctuations to name a few. The Foundation continues to provide support to the College which has continued to experience a decline in funding.

FINANCIAL STATEMENTS

Pensacola Junior College Foundation, Inc.
STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,118,740	\$ 1,388,602
Investments	3,731,283	17,073,402
Promises to give, net of allowance for doubtful accounts of \$3,232 and \$4,083, respectively	158,386	200,076
Real estate available for sale	232,856	--
Other receivables	100	212,724
Prepaid expenses	3,000	3,000
Total current assets	6,244,365	18,877,804
NONCURRENT ASSETS		
Investments	7,996,268	7,804,517
Promises to give, net of allowance for doubtful accounts of \$9,532 and \$15,479, respectively	467,063	758,466
Assets held under split-interest agreements	188,993	227,234
Cash surrender value of life insurance	39,183	44,905
Net noncurrent assets	8,691,507	8,835,122
Total assets	\$ 14,935,872	\$ 27,712,926
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 114,216	\$ 87,893
Deferred revenues	--	11,609,676
Deferred rent income	4,200	4,200
Total current liabilities	118,416	11,701,769
NONCURRENT LIABILITIES		
Liability under split-interest agreements	67,189	82,629
Total liabilities	185,605	11,784,398
NET ASSETS		
Unrestricted	977,240	1,162,019
Restricted		
Permanent Endowments - Nonexpendable	8,079,876	7,906,796
Restricted by Donor - Expendable	5,693,151	6,859,713
Total net assets	\$ 14,750,267	\$ 15,928,528

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

Pensacola Junior College Foundation, Inc.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Contributions	\$ 1,901,459	\$ 564,531
In-kind donations	745,233	581,745
State match revenue	--	706,784
Other operating revenues	478,530	175,478
Total operating revenues	<u>3,125,222</u>	<u>2,028,538</u>
OPERATING EXPENSES		
Program services	2,118,673	1,527,598
Management and general	387,950	392,885
Fundraising services	240,514	217,517
Total operating expenses	<u>2,747,137</u>	<u>2,138,000</u>
Operating income (loss)	378,085	(109,462)
NON-OPERATING REVENUES		
Investment income	476,682	563,800
Net loss on investments	(2,225,329)	(935,294)
Transfer from WSRE-TV Foundation	--	30,000
Total non-operating revenues	<u>(1,748,647)</u>	<u>(341,494)</u>
Loss before other changes in net assets	(1,370,562)	(450,956)
OTHER CHANGES IN NET ASSETS		
Endowment contributions	192,301	323,955
Endowed state match revenue	--	495,473
Total other changes in net assets	<u>192,301</u>	<u>819,428</u>
Change in net assets	(1,178,261)	368,472
NET ASSETS, BEGINNING OF YEAR	<u>15,928,528</u>	<u>15,560,056</u>
NET ASSETS, END OF YEAR	<u>\$ 14,750,267</u>	<u>\$ 15,928,528</u>

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

Pensacola Junior College Foundation, Inc.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from contributions	\$ 2,204,602	\$ 566,504
Cash receipts from other operating revenue	478,530	587,665
Cash receipts from state match revenue	--	539,335
Cash payments for operating expenses	<u>(13,585,257)</u>	<u>(1,600,180)</u>
Net cash flows from operating activities	(10,902,125)	93,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,906,551)	(11,830,952)
Proceeds from sale of investments	12,869,831	141,497
Interest and dividends	<u>476,682</u>	<u>563,800</u>
Net cash flows from investing activities	11,439,962	(11,125,655)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Endowment contributions	192,301	323,955
Cash receipts from state match revenue	--	495,473
Transfer from WSRE-TV Foundation	<u>--</u>	<u>30,000</u>
Net cash flows from noncapital financing activities	<u>192,301</u>	<u>849,428</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	730,138	(10,182,903)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,388,602</u>	<u>11,571,505</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,118,740</u>	<u>\$ 1,388,602</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 378,085	\$ (109,462)
Adjustments to reconcile net cash flows from operating activities:		
Allowance for uncollectible pledges	(6,798)	(215)
Decrease (increase) in:		
Cash surrender value of life insurance	5,722	(727)
Unrestricted promises to give	107,035	10,826
Other receivables	212,624	(212,124)
Increase (decrease) in:		
Accounts payable	26,323	(43,925)
Deferred income	(11,609,676)	456,862
Liability under split-interest agreements	<u>(15,440)</u>	<u>(7,911)</u>
Net cash flows from operating activities	<u>\$ (10,902,125)</u>	<u>\$ 93,324</u>

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

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE A - ORGANIZATION AND OPERATIONS

1. Reporting Entity

The Pensacola Junior College Foundation, Inc. (the Foundation) was formed in 1965 as a Florida not-for-profit corporation to encourage, solicit, receive, and administer gifts and bequests of property and funds for the advancement of Pensacola Junior College (the College) and its objectives.

The organization receives contributions from the public and state matching funds to promote and support education.

2. Financially Interrelated Organizations

Generally accepted accounting principles presume that combined financial statements for financially interrelated organizations are more meaningful than separate statements and are usually necessary for fair presentation. The College and the Foundation are financially interrelated organizations as defined by generally accepted accounting principles. The Foundation is a component unit of the College and is presented within the College's reporting entity as one of its discretely presented component units.

These financial statements are intended to present only the financial position and results of operations of the Foundation, and do not include the financial position or results of operations of the College. These financial statements are issued separately to comply with the State's reporting requirements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Presentation and Accounting

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

1. Basis of Presentation and Accounting-- (Continued)

The Foundation follows standards of accounting and financial reporting that are generally accepted in the United States of America. The Foundation's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting which recognizes revenue when earned and expenses as incurred.

Because the Foundation solely supports the activities of the College, which has elected to report as an entity engaged in business-type activities, the Foundation has also elected to report as an entity engaged in business-type activities.

The Foundation follows Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

2. Fair Value Measurement

The Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurement*, effective January 1, 2008. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The adoption of SFAS No. 157 did not have a material impact on the financial statements or results of operations of the Foundation. SFAS No. 157 applies to all assets and liabilities that are measured and reported on a fair value basis. See Note I for additional information.

3. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

4. Investments

The Foundation records investments at quoted market values at year-end. Investment income from endowed investments, up to 5%, is recorded as revenue in the restricted funds as designated by the individual endowments. Investment income in excess of 5% is added to the principal of the non-expendable endowments. Investment income from the investments in the remaining funds is recorded as revenue in the respective fund.

5. Allowance for Doubtful Accounts

No allowance for doubtful accounts has been established for other receivables as management believes all amounts are collectible. An allowance for doubtful accounts has been established for promises to give.

6. Capital Assets

Capital assets are recorded at cost, except for donated assets which are recorded at estimated fair market value at the date of receipt. Assets with a useful life of two or more years and costing \$5,000 or more are capitalized and depreciated in sufficient amounts to allocate the cost to operations over their estimated service lives on a straight-line basis. Estimated lives used in determining depreciation for furniture and equipment are 5 years. Improvements to leased facilities have been capitalized and are amortized over their useful life. Estimated lives used in determining amortization for leasehold improvements are 10 years. As of June 30, 2007, capital assets were fully depreciated.

7. Revenues and Expenses

Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities which are in support of the College's programs. Operating activities relate to the Foundation's principal function, which is to solicit, receive, and administer charitable contributions for the College. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

8. Deferred Revenues

Deferred revenues are comprised of amounts received prior to June 30, 2008 for which revenue recognition criteria were not satisfied as of June 30, 2008. See Note G.

9. Income Taxes

The Foundation is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

10. In-Kind Contributions

The College provides the Foundation with administrative and staff support and office facilities. These in-kind contributions are reflected as both revenue and as an equal amount of expense in the statement of revenues, expenses, and changes in net assets at the estimated fair value of such contributions.

11. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates.

12. Functional Allocation of Expense

The costs of various programs and activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE C - CONCENTRATION OF RISK

The Foundation's services are funded by contributions from individuals and businesses in the Northwest Florida area and by in-kind services and facilities provided by the College. The Foundation's ability to continue to provide the same level of services is dependent on continued funding from these sources.

NOTE D – CASH AND INVESTMENTS

The Foundation has an investment policy which provides guidelines for the investment of Foundation assets. The objectives of the Foundation's policy are to provide a total return from assets invested that will preserve the purchasing power of the endowed assets in addition to generating an income stream to support the activities of the College. Investments held by the Foundation at June 30, 2009 and 2008 are reported at fair market value. These investments are held by Synovus Trust Company, N.A., of Birmingham, Alabama, at its sub-custodian, The Bank of New York Mellon.

The following table presents the fair value of investments at June 30:

<u>Investment Type</u>	<u>2009</u>	<u>Fair Market Value</u>
<u>Federal Agency Obligations</u>		
Government National Mortgage Assoc II Modified Pass Thru Pool #2644	09-20-28	\$ 1,799
<u>Mutual Funds</u>		
PIMCO All Asset Fund	Avg maturity 9.5 years Avg quality A	876,951
Vanguard Fixed Income Securities Inflation Protected Securities	Avg maturity 8.9 years Avg quality AAA	1,199,688
<u>Common Stock Index Fund</u>		
Daily Valued Stock Index Fund		3,928,790
SMAM Government/Credit Index Fund		3,431,885
Vanguard Index Fund		74,655
Small CAP Stock Index Fund		940,085
International Stock Index Fund		1,273,698
Total Investments		<u>\$ 11,727,551</u>

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE D – CASH AND INVESTMENTS -- (Continued)

2008		
<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Certificates of Deposit	05-09	\$ 11,514,141
<u>Federal Agency Obligations</u>		
Government National Mortgage Assoc II Modified Pass Thru Pool #2644	09-20-28	2,636
<u>Mutual Funds</u>		
PIMCO All Asset Fund	Avg maturity 8.43 years Avg quality A+	1,069,536
Vanguard Fixed Income Securities Inflation Protected Securities	Avg maturity 9.5 years Avg quality AAA	1,658,484
<u>Common Stock Index Fund</u>		
Daily Valued Stock Index Fund		4,204,635
SMAM Government/Credit Index Fund		4,130,097
Vanguard Index Fund		101,115
Small CAP Stock Index Fund		910,423
International Stock Index Fund		<u>1,286,852</u>
Total Investments		<u>\$ 24,877,919</u>

Concentration of Credit Risk

The Foundation's funds are invested to produce maximum total return consistent with prudent risk limits. The allocation of the portfolio over various asset classes is the single most important determinant of investment risk and return. Therefore, the policy targeting a range of 45% to 75% in equities is used as a guide, with the initial target set at 60%; and a range of 25% to 55% in bonds with an initial target of 40%. No more than 20% of Foundation assets may be invested in international equities, and a range of 5% to 25% of Foundation assets is established for small capitalization equities. No more than 5% of Foundation assets may be invested in a diversified portfolio of non-investment grade bonds.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE D – CASH AND INVESTMENTS -- (Continued)

The investments at June 30, 2009 and 2008 meet the Foundation's investment policy guidelines. At June 30, 2008, equities represented 56.7% (of that percentage 6.8% was small caps and 9.6% was international), and fixed income securities represented 43.3% of the portfolio. At June 30, 2009, equities represented 60.5% (of that percentage 7.7% was small caps and 10.6% was international), and fixed income securities represented 39.5% of the portfolio.

Credit Risk

The Foundation's investment policy permits investment in equities listed on a national exchange and bonds issued in United States dollars. Uses of leverage in an account (margin or derivatives securities that increase risk) are prohibited as an investment. Cash should be transitional or held for the purpose of providing liquidity to meet the Foundation's cash flow requirements. This includes commercial paper with an A-1 or P-1 rating at the time of initial investment and money market funds.

Mutual funds consisted of the PIMCO All Asset Fund which held an average rating of A and Vanguard Fixed Income Securities Inflation Protected Securities which held an average rating of AAA. The portfolio included a total investment of \$1,799 in Governmental National Mortgage Obligations.

Custodial Credit Risk

At year-end, the Foundation's cash balances before outstanding checks totaled approximately \$2 million of which \$500,000 was insured by the FDIC and \$500,000 was insured by the SIPC.

Interest Rate Risk

Mutual funds consisted of the PIMCO All Asset Fund and Vanguard Fixed Income Securities Inflation Protected Securities. The PIMCO All Asset Fund invests in a range of PIMCO Real Return, StockPlus, and bond funds to execute its active-allocation strategy.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE D – CASH AND INVESTMENTS -- (Continued)

The fund relies on quantitative models that consider yields, growth, and valuations for different asset classes in order to arrive at an optimal mix. The fund will never place more than 50% of assets in equities. The average duration was 5.7 years and the average maturity was 9.5 years with a standard deviation of annual returns of 13.09%. As provided by Morningstar, Vanguard Fixed Income Securities Inflation Protected Securities was allocated 13% to US Treasuries and 84% to TIPS. The weighted average price was 115.86% of par, the average effective duration was 5.6 years, and the average effective maturity was 8.9 years.

NOTE E - PROMISES TO GIVE

Unconditional promises to give at year-end consist of the following:

	2009	2008
Total pledges	\$ 698,642	\$1,058,714
Less present value discount	(60,429)	(80,610)
	638,213	978,104
Less allowance for uncollectible pledges	(12,764)	(19,562)
Total promises to give	\$ 625,449	\$ 958,542
Amounts due:		
Within one year	\$ 158,386	\$ 200,076
One to five years	145,438	444,159
After five years	321,625	314,307
	\$ 625,449	\$ 958,542

An allowance of approximately two percent for uncollectible pledges has been provided for amounts due beyond the next fiscal year. Pledges receivable were discounted using a risk free interest rate of 2% in 2009 and 2008.

NOTE F - SPLIT-INTEREST AGREEMENTS

During 2003, a grantor named the Foundation as the trustee of a Charitable Remainder Educational Trust and a Charitable Remainder Unitrust. Under the terms of the Charitable Remainder Unitrust, the grantor waived all rights of the Trust and the Foundation was named beneficiary of a life insurance policy of the grantor. As of June 30, 2009 and 2008, the life

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE F - SPLIT-INTEREST AGREEMENTS -- (Continued)

insurance policy had a cash surrender value of \$39,183 and \$44,905, respectively. The Charitable Remainder Educational Trust Assets are recorded at fair market value and the related liabilities to make future payments under this trust are recorded at present value. At June 30, 2009 and 2008, the Educational Trust assets had an estimated value of \$105,385 and \$124,956, respectively, and the liability was valued at \$67,189 and \$82,629, respectively. The determination of the present value of the liability was based upon the discount rate of 7%.

Under the terms of the Charitable Remainder Educational Trust, designated beneficiaries may receive 7% of the fair market value of the trust for 20 years (through 2023) to pay post-secondary education costs. At the earlier of the death of all designated beneficiaries or 20 years the remaining assets will be available for use by the Foundation.

The Foundation is and has been the sole recipient of annual gifts from the J.D. Carroll Irrevocable Trust since 1966. At June 30, 2009 and 2008 the trust was valued at \$ 83,608 and \$102,278, respectively and reported as a split-interest agreement as a part of permanent endowments-nonexpendable net assets.

NOTE G – DEFERRED REVENUES AND OTHER OPERATING REVENUES

Included in the deferred revenue balance at fiscal year-end 2008 were funds received from the Escambia Board of County Commissioners totaling approximately \$11.6 million (original principal of \$10.9 million plus interest) to provide matching funds for construction of a law enforcement training facility. In 2009 the County decided to abandon the project and the Foundation returned these funds to the County. Under the termination agreement, the Foundation retained approximately \$300 thousand to cover incurred project and administrative expenses. The amounts retained are reflected as “other operating revenues” in the financial statements.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE H - NET ASSETS

Net assets are divided into two major categories, unrestricted and restricted. Unrestricted net assets are available for any lawful purpose of the Foundation and College. The Board of Governors has designated \$60,000 of the Foundation's cumulative earnings for future contingencies.

Restricted net assets include assets which are classified as *Restricted by donor-expendable* or *Permanent Endowments-nonexpendable*. *Restricted by donor-expendable* net assets are available for expenditure by the Foundation, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of *Permanent Endowments-nonexpendable* resources is only available for investment purposes.

Restricted net assets at year-end were comprised of the following:

	2009	
	<u>Restricted Net Assets</u>	
	<u>Expendable</u>	<u>Non-Expendable</u>
Dr. Philip Benjamin Academic Improvement Trust	\$ 2,205,558	\$ 1,665,611
Florida Health Care Grant	315,409	121,337
Florida Scholarship Matching Program	270,783	5,585,179
Assets Held under Split-Interest Agreements	105,385	83,608
Ethics in Business Scholarship Program	42	--
Blue Cross Blue Shield Scholarship Program	15,034	--
Florida Scholarship Matching Program to be Matched	1,192,430	583,591
Dr. Philip Benjamin Academic Improvement Trust to be Matched	148,775	3,182
Promises to Give	463,053	--
Other - available for use after June 30, 2009	<u>976,682</u>	<u>37,368</u>
Total	<u>\$ 5,693,151</u>	<u>\$ 8,079,876</u>

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE H - NET ASSETS -- (Continued)

	2008	
	Restricted Net Assets	
	<u>Expendable</u>	Non- <u>Expendable</u>
Dr. Philip Benjamin Academic Improvement Trust	\$ 2,916,483	\$ 1,665,611
Florida Health Care Grant	401,269	121,337
Florida Scholarship Matching Program	1,505,557	5,595,779
Assets Held under Split-Interest Agreements	124,956	102,278
Ethics in Business Scholarship Program	1,784	--
Florida Scholarship Matching Program to be Matched	188,763	386,087
Dr. Philip Benjamin Academic Improvement Trust to be Matched	97,659	2,682
Promises to Give	779,762	--
Other - available for use after June 30, 2008	<u>843,480</u>	<u>33,022</u>
Total	<u>\$ 6,859,713</u>	<u>\$ 7,906,796</u>

NOTE I - FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurement. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an “exit” price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date. The Foundation determines the fair value of financial instruments based on the fair value hierarchy described in SFAS No. 157 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. SFAS No. 157 describes the following three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3 Unobservable inputs that are supported by little or no market activity.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE I - FAIR VALUE OF FINANCIAL INSTRUMENTS -- (Continued)

The carrying amounts of cash equivalents, pledges receivable, other receivables, and accounts payable, approximate fair value because of the short maturity of these instruments. The fair value of the investments is based on quoted market prices. Assets measured at fair value on a recurring basis as of June 30, 2009 are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income Securities	\$ 1,099,022		
PIMCO All Asset Fund	876,951		
Vanguard Small Cap Stock Index Trust	36,409		
Vanguard Total International Stock Index	29,063		
Vanguard 500 Index Fund Investor	74,655		
Vanguard Bond Index Total Market	72,140		
Vanguard Inflation Protected Securities	28,526		
Miscellaneous Obligations		\$ 1,799	
Daily Valued Stock Index Fund			\$ 3,928,790
Government Credit Index Fund			3,431,885
Small Cap Stock Index Fund			903,676
International Stock Index Fund			1,244,635
	<u>\$ 2,216,766</u>	<u>\$ 1,799</u>	<u>\$ 9,508,986</u>

Fair Value Measurements (Level 3)

	<u>Beginning Balance</u>	<u>Purchases, Sales, Unrealized gains/losses (net)</u>	<u>Ending Balance</u>
Daily Valued Stock Index Fund	\$ 4,204,635	\$ (275,845)	\$ 3,928,790
Government Credit Index Fund	4,130,097	(698,212)	3,431,885
Small Cap Stock Index Fund	861,732	41,944	903,676
International Stock Index Fund	1,245,028	(393)	1,244,635
	<u>\$ 10,441,492</u>	<u>\$ (932,506)</u>	<u>\$ 9,508,986</u>

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE J- REAL ESTATE AVAILABLE FOR SALE

In the current year, the Foundation received a donation of residential property with a fair value of \$232,856 at June 30, 2009. This asset has been classified as “Real estate held for sale” in the Foundation’s Statement of Net Assets.

NOTE K - RELATED PARTY TRANSACTIONS

The Foundation leases the College Centre Apartments from Pensacola Junior College for use as classrooms and dormitories. The lease is classified as an operating lease and has an option for annual renewals through 2015. The annual rental rate is renegotiated at each renewal. Rental payments of \$36,000 were paid each year. The future minimum rental payments the Foundation is required to make for the next five fiscal years, assuming annual renewals, as of year-end are as follows:

2010	\$ 36,000
2011	36,000
2012	36,000
2013	36,000
2014	<u>36,000</u>
Total	<u>\$ 180,000</u>

Pensacola Junior College provides support to the Foundation by providing management and clerical staff, supplies and office expenses, and the use of computer equipment without charge to the Foundation. The value of these services and materials for the year was as follows:

	<u>2009</u>	<u>2008</u>
Supplies and office expense	\$ 62,898	\$ 108,029
Office facilities	26,310	26,310
Management and clerical staff	<u>340,832</u>	<u>326,814</u>
Total value	<u>\$ 430,040</u>	<u>\$ 461,153</u>

During the years ended June 30, 2008, WSRE-TV Foundation transferred \$30,000 to the Foundation. The funds will be used by the Foundation as matching funds for potential grants from the State of Florida.

Pensacola Junior College Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE K - RELATED PARTY TRANSACTIONS -- (Continued)

The pledges receivable balances at June 30, 2009 and June 30, 2008 include \$64,624 and \$42,263, respectively, in pledges from members of the Board of Governors and senior Foundation management.

NOTE L- RECENT ACCOUNTING PRONOUNCEMENTS

FASB Staff Position (FSP) 48-3 defers the effective date of FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, for certain non-public enterprises for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of FIN 48 in accordance with FSP 48-3. Management believes that the implementation of FIN 48 will not have a material effect on the financial statements.

SUPPLEMENTARY INFORMATION

Pensacola Junior College Foundation, Inc.
Florida Department of Education
Dr. Philip Benjamin Matching Grant Programs
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended June 30, 2009 with comparative totals for 2008

	Health Care Grant	Scholarship Matching Program	Academic Improvement Trust	Total	2008 Total
OPERATING REVENUES					
Contributions	\$ --	\$ --	\$ --	\$ --	\$ 1,495,974
State match revenue	--	--	--	--	1,202,257
Total operating revenues	--	--	--	--	2,698,231
OPERATING EXPENSES					
Program services	71,074	425,234	509,255	1,005,563	967,809
Total operating expenses	71,074	425,234	509,255	1,005,563	967,809
Operating income (loss)	(71,074)	(425,234)	(509,255)	(1,005,563)	1,730,422
NON-OPERATING REVENUES (EXPENSES)					
Investment income	6,643	260,959	93,006	360,608	336,882
Loss on assets	(21,429)	(1,081,099)	(294,676)	(1,397,204)	(576,667)
Total non-operating revenues (expenses)	(14,786)	(820,140)	(201,670)	(1,036,596)	(239,785)
Change in net assets	(85,860)	(1,245,374)	(710,925)	(2,042,159)	1,490,637
NET ASSETS, BEGINNING OF YEAR	522,606	7,101,336	4,582,094	12,206,036	10,715,399
NET ASSETS, END OF YEAR	\$ 436,746	\$ 5,855,962	\$ 3,871,169	\$ 10,163,877	\$ 12,206,036

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

Pensacola Junior College Foundation, Inc.
Florida Department of Education
Florida Community College Scholarship Programs
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended June 30, 2009 with comparative totals for 2008

	<u>Ethics in Business</u>	<u>Blue Cross Blue Shield</u>	<u>Total</u>	<u>2008 Total</u>
OPERATING REVENUES				
Contributions	\$ 4,423	\$ 14,862	\$ 19,285	\$ 11,586
State match revenue	4,423	15,796	20,219	12,361
Total operating revenues	<u>8,846</u>	<u>30,658</u>	<u>39,504</u>	<u>23,947</u>
OPERATING EXPENSES				
Program services	10,588	15,624	26,212	23,019
Total operating expenses	<u>10,588</u>	<u>15,624</u>	<u>26,212</u>	<u>23,019</u>
Operating income (loss)	(1,742)	15,034	13,292	928
Change in net assets	(1,742)	15,034	13,292	928
NET ASSETS, BEGINNING OF YEAR	<u>1,784</u>	<u>--</u>	<u>1,784</u>	<u>856</u>
NET ASSETS, END OF YEAR	<u>\$ 42</u>	<u>\$ 15,034</u>	<u>\$ 15,076</u>	<u>\$ 1,784</u>

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

**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 Governors
Pensacola Junior College Foundation, Inc.
Pensacola, Florida

We have audited the financial statements of Pensacola Junior College Foundation, Inc., [a 501(c)(3) nonprofit corporation], hereinafter referred to as the Foundation, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated July 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination or control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

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

O'Sullivan Creel, LLP

July 31, 2009