

**Florida Prepaid  
College Foundation, Inc.**

**Financial Statements**

**June 30, 2012**

# Florida Prepaid College Foundation, Inc.

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June 30, 2012

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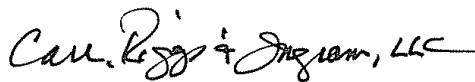
## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Florida Prepaid College Foundation, Inc. (the Foundation), as of June 30, 2012, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Florida Prepaid College Foundation, Inc., as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



October 16, 2012

## **Financial Statements**

**Florida Prepaid College Foundation, Inc.**  
**Statement of Financial Position**

<i>June 30, 2012</i>	Unrestricted General Operating	Temporarily Restricted		Total All Funds
		Scholarship Matching Program	Other Programs	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 589,875	\$ -	\$ -	\$ 589,875
Investments	968,487	-	-	968,487
Restricted investments	-	5,223,642	1,402,594	6,626,236
Total assets	\$ 1,558,362	\$ 5,223,642	\$ 1,402,594	\$ 8,184,598
<b>Liabilities and Net Assets</b>				
Current liabilities				
Accounts payable	\$ 11,893	\$ -	\$ -	\$ 11,893
Due to beneficiaries	-	5,223,642	1,402,594	6,626,236
Total liabilities	11,893	5,223,642	1,402,594	6,638,129
Net Assets				
Unrestricted	1,546,469	-	-	1,546,469
Total liabilities and net assets	\$ 1,558,362	\$ 5,223,642	\$ 1,402,594	\$ 8,184,598

See accompanying notes to financial statements.

**Florida Prepaid College Foundation, Inc.**  
Statement of Activities

<i>Year ended June 30, 2012</i>	Unrestricted General Operating	Temporarily Restricted		Total All Funds
		Scholarship Matching Program	Other Programs	
<b>Revenues and other support</b>				
Administration fees	\$ 33,750	\$ -	\$ -	\$ 33,750
Investment income	12,030	-	-	12,030
Donations	2,500	-	-	2,500
Total revenues and other support	48,280	-	-	48,280
<b>Expenses</b>				
Supporting services	71,828	-	-	71,828
Scholarships	140,372	-	-	140,372
Total expenses	212,200	-	-	212,200
Decrease in net assets	(163,920)	-	-	(163,920)
Net assets, beginning of year	1,710,389	-	-	1,710,389
Net assets, end of year	\$ 1,546,469	\$ -	\$ -	\$ 1,546,469

See accompanying notes to financial statements.

**Florida Prepaid College Foundation, Inc.**  
**Statement of Cash Flows**

<i>Year ended June 30, 2012</i>	Unrestricted General Operating	Temporarily Restricted		Total All Funds
		Scholarship Matching Program	Other Programs	
<b>Cash flows from operating activities</b>				
Decrease in net assets	\$ (163,920)	\$ -	\$ -	\$ (163,920)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:				
Increase (decrease) in:				
Accounts payable	6,296	-	-	6,296
Due to beneficiaries	-	3,224,315	(575)	3,223,740
Net cash provided by (used in) operating activities	(157,624)	3,224,315	(575)	3,066,116
<b>Cash flows from investing activities</b>				
Purchase of investments	(968,487)	(5,223,642)	(1,402,594)	(7,594,723)
Net cash used in investing activities	(968,487)	(5,223,642)	(1,402,594)	(7,594,723)
Net change in cash and cash equivalents	(1,126,111)	(1,999,327)	(1,403,169)	(4,528,607)
Cash and cash equivalents, beginning of year	1,715,986	1,999,327	1,403,169	5,118,482
Cash and cash equivalents, end of year	\$ 589,875	\$ -	\$ -	\$ 589,875

See accompanying notes to financial statements.

# Florida Prepaid College Foundation, Inc.

## Notes to Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Organization***

The Florida Prepaid College Foundation, Inc. (the Foundation) was created in 1989 and administers the Stanley Tate Project STARS Scholarship Program (formerly the Florida Prepaid Tuition Scholarship Program) and other scholarship programs, on behalf of the Florida Prepaid College Board (the Board). The Board administers the Florida Prepaid College Plan and the Florida 529 Savings Plan. The Stanley Tate Project STARS Scholarship Program provides prepaid scholarships to economically disadvantaged, at-risk students. The Foundation is a direct-support organization of the Board and is authorized by section 1009.984 of the Florida Statutes and incorporated under the provisions of chapter 617 and approved by the Secretary of State.

#### ***Basis of Accounting***

The accounts of the Foundation are maintained in accordance with the principles of not-for-profit accounting. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

##### **Permanently Restricted**

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation would be classified as permanently restricted. Generally, the donors of these assets would permit the Foundation to use all or part of the investment return on these assets. As of June 30, 2012, the Foundation does not have net assets that are permanently restricted.

##### **Temporarily Restricted**

Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations are classified as temporarily restricted. To account for amounts donated for specific purposes, the Foundation maintains temporarily restricted net assets as follows:

##### Scholarship Matching Program

Resources restricted for scholarships. Private donations are matched dollar for dollar by State of Florida appropriation.

##### Other Programs

Resources restricted for scholarships, but not matched by State of Florida appropriation because the donors have retained the right to establish their own criteria for selection of recipients.

##### **Unrestricted**

Net assets that are not subject to donor-imposed stipulations are classified as unrestricted. Unrestricted net assets include resources that are available for support of Foundation operations.



# Florida Prepaid College Foundation, Inc.

## Notes to Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Basis of Accounting (Continued)*

The Foundation receives donations from donor organizations with instructions to purchase Florida Prepaid College Plans for specified third-party beneficiaries. The Foundation has no discretion in determining the parties to be benefited and it must deliver the Florida Prepaid College Plans to the specified beneficiaries. Receipt of those donations is not a contribution to the Foundation, nor is the delivery of the Florida Prepaid College Plans an expense of the Foundation. The unexpended funds from the donors are classified as amounts due to beneficiaries. The Foundation also receives unsolicited, unrestricted donations from various sources, which it records as other support. These funds are used for general operating purposes.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include certain investments in highly liquid instruments with original maturities of three months or less when purchased. The Foundation routinely invests its surplus operating funds in money market funds.

#### *Estimates*

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

#### *Subsequent Events*

The Foundation evaluates subsequent events through the date of the auditors' report.

### NOTE 2 – CONCENTRATION OF CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to them. Cash deposits consisted of interest bearing demand accounts at one financial institution which is entirely insured by collateral pursuant to The Florida Security for Public Deposits Act (the Act). The Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the Foundation's deposits in qualified public depositories are totally insured. The Foundation had \$2,882,681 on deposit with SunTrust Banks, Inc. as of June 30, 2012.

At June 30, 2012, the Foundation also had \$7,594,723 on deposit with the Florida State Board of Administration held in the Florida PRIME account. Florida PRIME represents a pool of investments whereby the Foundation owns a share of the respective pool, not the underlying securities. Cost approximates fair market value. While Florida PRIME is not registered under the 1940 Act or regulated by the SEC, the Foundation believes the credit risk related to these balances is minimal. The Florida PRIME is rated by Standard and Poor's as AAAM. The dollar weighted average days to maturity of the Florida PRIME at June 30, 2012 is 38 days.

# Florida Prepaid College Foundation, Inc.

## Notes to Financial Statements

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### NOTE 3 – DUE TO BENEFICIARIES

The Foundation receives donations from donors and purchases Florida Prepaid College Plans for the donor's designated beneficiaries. The unexpended funds from these donors are classified as due to beneficiaries. The receipts and disbursements of the funds received are as follows:

Balance, June 30, 2011	\$ 3,402,496
Donations	10,961,688
Payments on behalf of donors	(7,737,948)
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Balance, June 30, 2012	\$ 6,626,236
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### NOTE 4 – RELATED-PARTY TRANSACTIONS

The Foundation purchases Florida Prepaid College Plans on behalf of selected scholarship recipients. Florida Prepaid College Plans at a cost of \$7,737,948 were purchased during the year ended June 30, 2012. In accordance with 1009.983(5), Florida Statutes, the chair of the Florida Prepaid College Board serves on the Board of Directors of the Foundation.

For the year ended June 30, 2012, the Florida Prepaid College Board provides certain administrative expenses to the Foundation under a contractual agreement expiring December 2016. The value of these services cannot be reasonably estimated.

### NOTE 5 – INCOME TAXES

The Foundation is a non-profit organization, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is shown in the accompanying financial statements.

The Foundation follows accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2012, the Foundation has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

The federal income tax returns of the Foundation for 2008, 2009 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. During fiscal 2011, management and legal counsel determined federal income tax returns were not required to be filed.

**Florida Prepaid College Foundation, Inc.**  
**Notes to Financial Statements**

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**NOTE 6 – FUNCTIONAL EXPENSES**

The Foundation's functional expenses for the year ended June 30, 2012 were as follows:

Scholarships	\$ 140,372
General counsel	55,465
Travel	3,011
Administration	6,485
Printing and marketing	5,701
Insurance	257
Postage and freight	649
Telephone	107
Banking charges	153
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Total expenses	<u>\$ 212,200</u>