

FLORIDA FUND FOR MINORITY TEACHERS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FLORIDA FUND FOR MINORITY TEACHERS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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FLORIDA FUND FOR MINORITY TEACHERS, INC.
Management's Discussion and Analysis

Florida Fund for Minority Teachers, Inc. (the Organization) is a not-for-profit organization whose mission is to increase the number of minority teachers in Florida public schools by providing upperclassmen (juniors and seniors) in teacher education programs with funding to pursue a teaching degree. Upon graduation each scholar is expected to teach for the same number of years that they receive the scholarship, or repay the money to the Organization.

In 2015-16, the Organization had net disbursements of over \$964,000 in scholarships to minority college students throughout the State of Florida. This amount brings the total amount of scholarships disbursed by the Organization to nearly \$40 million since 1996. Because of the Organization's continued support of education students it has been verified that approximately 70% of former scholars have taught or are currently teaching in the State of Florida.

Financial Statements

Statement of Financial Position

From June 30, 2015 to June 30, 2016, the Organization's cash position decreased by \$125,496 or 16%. The main reason for this is that the Organization had net disbursements of \$94,092 more in the Minority Teacher Education Scholarship (MTES) program than what had been budgeted by the Florida Department of Education (FLDOE). Typically, the Organization allows its participating institutions to submit the names of as many qualified individuals as they like for scholarship consideration, and encumbered funds are used to fund those students that exceed an institutions budgeted amount. It is anticipated that in the 2016-17 fiscal year, the Organization may again need to rely on its encumbered scholarship funds to meet the needs of its scholar base.

There was an estimated 5.6% increase in Interest Receivable for the 2015-16 fiscal year and a 7.8% decrease in overall Notes Receivable. Notes Receivable reflects the total scholarship dollars owed to the Organization by alumni of the program who have not reported that they are teaching in a Florida public school. Interest Receivable shows the total amount of interest owed to the Organization by these same individuals. Per the regulations for the Minority Teacher Education Scholarship (MTES), the Organization must charge interest at 8% beginning the first day of the 13th month after the month in which the recipient completes an approved teacher education program or in which enrollment as a full-time student is terminated. This excludes those students who have been approved for a deferment. No interest accrues during a deferment period.

The fact that Notes Receivable has decreased slightly since the previous year partly indicates that former scholars are becoming more accountable (verifying employment, requesting deferments, repaying, etc.). However, another part of the decrease in Notes Receivable relates directly to the activities of the Organization's collections agency. After reviewing some of the Organization's older accounts, the agency indicated that a large number of them were uncollectable through their services. Thus, the amount that the Organization can expect will be repaid through cash repayment is reduced, and it falls back to the Organization to continue to attempt to collect directly from these individuals. This remains a challenge as the Organization is only able to maintain a small staff due to budget reductions over the years. As such, the Board of Directors has approved that uncollectable accounts may be written off as bad debt.

Many of the accounts for delinquent scholars that had been submitted to the collections agency have now been closed as those scholars who previously had not reported their teaching service did so once they became aware that their negative account standing was appearing on their credit report. Once an account that has been submitted to collections is closed because the teaching service has been verified, that account is removed from collections and it is accordingly reported on each individual's credit report.

The Organization conservatively estimates that it will be able to collect between 5% and 10% of what former scholars owe in the form of actual cash payments because of the belief that most of these former scholars have been or are currently teaching in the State of Florida. This seems to be further verified by the fact that many of the individuals whose names were recently submitted to a collections agency subsequently sent in the necessary paperwork to document their teaching services. Thus, the Organization incorporates an Uncollectable Accounts Allowance into the overall total of both the Notes Receivable and Interest Receivable accounts.

For the 2015-16 fiscal year, there was an overall decrease of 8.3% for Scholarship Payable. Scholarship Payable represents the budgeted amount of scholarships that have been returned or repaid and will be disbursed again. Because scholars who end up not teaching are essentially giving back the money they received, the Organization allots those funds to be redistributed as scholarships in the future. When a debit is made to Notes Receivable for scholarships that will be repaid if scholars have not been teaching, the corresponding credit is made to Scholarship Payable. Thus, any increases in Notes Receivable will result in a corresponding increase to Scholarship Payable. The reason for the decrease behind Scholarship Payable can be attributed to the distribution of an additional \$94,092 in scholarships beyond the Organization's budgeted amount and the conversion of \$100,000 in Scholarship Payable to assist in covering administrative costs.

As of June 30, 2016, the value of the Organization's fixed assets totaled \$50,776.

In November 2015, the Organization obtained a \$140,000 loan through its financial institution to purchase a proprietary student account management system. With the limited number of staff members, having a system that comprehensively meets the needs of the Organization will result in greater efficiencies for staff and increased convenience for scholars and participating institutions. The proposed system, and financing for it, was approved by the Board of Directors. In 2016, the Florida state legislature authorized the organization to use an additional \$150,000 of funds reserved in Scholarship Payable to complete the project. As such, the Organization intends to use those funds to complete repayment of the \$140,000 loan by the end of October 2016.

Because the Organization engaged the services of a software development firm, A Sound Strategy Inc., to develop the aforementioned proprietary software for the student account management system, there was a marked increase in Fixed Assets and Prepaid Fees. The total costs associated with this venture included the acquisition of \$49,140 in website/software assets and prepaid licensing fees of \$72,000.

Statement of Activities

Funding for the 2015-16 fiscal year was \$917,798 with \$871,908 budgeted towards MTES disbursements and \$45,890 budgeted for administrative expenses. This budget represents a \$82,202 decrease from the \$1,000,000 in appropriations the Organization received in the 2014-15 fiscal year. Funding for the 2016-17 fiscal year has also been approved at \$917,798 with the same distributions budgeted for Minority Scholarships and administrative expenses. As in the previous five years, \$100,000 of Scholarships Payable has been allocated to cover administrative expenses in 2016-17 to offset some of the burden placed on the Organization by the reduction in budget over the years.

In depicting the uncollected, accrued interest for unaccountable scholars, the corresponding credits to the Interest Receivable account listed on the Statement of Financial Position are included in Interest Income. In 2015-16 the Organization garnered a total of \$61,914 in Interest Income from delinquent and repaying scholars, which is an approximate decrease of \$24,337 from the previous year. The reason for this reduction is directly related to the aforementioned increase in accountability and the discovery that a large number of accounts are uncollectable through the collections agency. Of the total amount in Interest Revenue \$7,785 was repaid in cash to the Organization.

The unrealized portion of Interest Income comes from the compounding of interest charges on scholars who have failed to fulfill their obligation to the Organization by either teaching in a Florida public school or repaying the funding they received.

The Organization was able to offer a scaled down version of the Recruitment & Retention Symposium once again this year. Instead of one large meeting for all the state's scholars, the Organization held three regional symposia in centralized regions of the state: Tallahassee, Gainesville, and Miami. The total expenses of these symposia, \$10,335, were partially offset by the total registration fees paid by those district recruiters who were in attendance, \$5,466. This proved to be an effective method of delivering the required training and recruitment opportunities to the Organization's scholars, while keeping the total costs of the symposium as low as possible. Meanwhile, the regional symposia continue to add value by providing opportunities for scholars and former scholars to connect with Florida school districts so that they can obtain acceptable employment and complete their required years of teaching.

The gross totals for Minority Teacher Education Scholarships disbursed for 2015-16 and 2014-15 were \$1,036,000 and \$1,222,000 respectively. However, the amount reflected on the Statement of Activities for 2015-16 is only \$871,908. This figure reflects the amount budgeted by the FLDOE. While this seems to indicate that the Organization simply met the budgeted amount of scholarships for the year, it actually surpassed its goal by \$164,092.

The Organization continues to take steps to ensure that it will meet or exceed the projected number of scholars for the 2016-17 fiscal year. In recent years, the Organization has had to guard against over-recruiting because of a lack of certainty surrounding its funding. Nevertheless, it is the Organization's intention to continue to use funds that are encumbered in Scholarships Payable to fund as many additional scholars as is prudent.

Overall expenses for the Organization were \$35,288 less than in the previous year. The total change in net assets for the Organization from the beginning of 2015-16 was a decrease of \$6,427 in comparison to an increase of \$63,749 for the 2014-15 fiscal year.

Outlook

The Organization hopes to remain in a position to continue providing funding to students throughout the State of Florida for years to come. Again, the appropriation from the State of Florida for the 2016-17 fiscal year is \$917,798. While this amount remains the same as the preceding year's appropriation, the reduced budget still poses a unique challenge for the Organization both now and in the future. Past budget reductions, and those that may occur in the future, not only limit the amount of scholarship funds available for disbursement, but they also significantly reduce the amount of income for administrative expenses that the Organization will have at its disposal. Because Florida statute dictates that 5% of the funds appropriated for the MTES program be used towards the administration of the Organization, any reduction in the overall budget further limits the budget for the Organization's administration.

The original staff of the Organization required an Executive Director, a Program Coordinator, and a Secretary to manage the program. However, as the number of scholars and former scholars grew, the responsibilities of the Organization's staff grew as well. This warranted the addition of a Graduate Records/Collections Manager and an Accountant to the office staff to help meet the rising needs of the Organization's administration. These additional costs, compounded with decreases in its operating budget, have previously caused the Organization to be severely hampered in its ability to expand and grow. Because of budget cuts, the Organization has had to eliminate the full-time Program Coordinator and Accountant positions as well as that of the Graduate Records/Collections Manager.

In the past, the Organization was able to use interest earned off funds held in its bank accounts as a means to supplement yearly program and administration costs. However, with the state of the economy and the vast reduction of interest rates over the past few years, the Organization has received much less interest than in the past and actually exhausted the last of the interest it held in reserve during the 2010-11 fiscal year.

While still earning minimal amounts of interest on its accounts, the Organization is working with bankers at its financial institution to see how the funds that it currently has can be invested to generate a greater amount of interest. However, the stipulations surrounding any investment that the Organization may participate in are that the funds remain relatively liquid and that there is no chance of loss. With these guidelines, the Organization will likely earn less than if the money was invested in riskier, more long-term vehicles. However, the preservation of the funds that have to be issued as scholarships in the future is of paramount importance.

As previously mentioned, the State of Florida allows the Organization to allocate \$100,000 of its Scholarships Payable balance to the use of administrative costs on a yearly basis. This has been a very important allowance and has been very useful in helping the Organization to meet its goals. However, other sources of funding are still greatly needed, as the use of these funds continually decreases the amount that the Organization has in reserves for future scholarships. This is even more true in 2016-17 as the Organization has been authorized to use an additional \$150,000 of reserve funds for its student management system.

For this reason, the Organization is still seeking other sources of funding besides what is provided by the FLDOE. These sources include, but are not limited to, donations from former scholars, sponsors and donors to reinstate the centrally located Annual Recruitment and Retention Symposium, corporate sponsors, and operational and program grants. This may potentially allow the Organization to administer other forms of financial assistance and further offset some of its current administrative costs. However, the difficulty with seeking additional funds of any sort is that effective fundraising requires additional time and expense, both of which the Organization has scant amounts in reserve.

The Organization also continues to face the ongoing challenge of tracking graduates and people who otherwise cease to be active in the program. The Organization may sometimes lose contact with some of its scholars after they leave school and can become unaware of whether or not they are fulfilling their obligations to teach. It is from these unaccountable individuals that the large number of receivables reflected on the Statement of Financial Position has arisen. However, efforts are continuously being made to track these individuals through the FLDOE, Florida's school districts and participating universities and colleges. Additionally, the FLDOE has authorized the Organization to outsource part of its collections process to a collections agency.

Previously, the Organization's Board of Directors approved a new Collections Policy. This policy outlines how delinquent and unaccountable scholars will have 90 days to respond to the Organization's attempts to contact them and resolve the issues surrounding their account before they are sent to a collections agency. After very careful research the Organization selected a reputable collections agency and engaged their services. While the amount collected thus far has been minimally successful, the attempts by the agency to collect have resulted in a large number of accounts being closed because formerly delinquent scholars began to report their teaching service. While the collections agency has indicated that it is unable to effectively collect on some of the Organization's older accounts (7+ years), it is anticipated that throughout the course of 2016-17, more of these unaccountable accounts will be located and their files closed as we identify that they too have fulfilled their teaching service, thereby further validating the success of the Minority Teacher Education Scholarship program.



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Florida Fund For Minority Teachers, Inc.
Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Fund For Minority Teachers, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, 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.

Auditor's 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 from 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 auditor's 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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 the Florida Fund For Minority Teachers, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i-iv 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 inquiries of 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Organization's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of State Projects Required by Chapter 10.650 Rules of the Auditor General, State of Florida

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state projects is presented for purposes of additional analysis as required by *Chapter 10.650 Rules of the Auditor General, State of Florida*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Reeder & Associates, PA

Certified Public Accountants
September 23, 2016

FLORIDA FUND FOR MINORITY TEACHERS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Cash | \$ 664,370 | \$ 789,866 |
| Notes receivable from scholarships in default, net of allowance | 1,164,346 | 1,259,775 |
| Interest receivable from scholarships in default, net of allowance | 856,032 | 809,759 |
| Prepaid expenses | 80,579 | 53,719 |
| Property and equipment, net of accumulated depreciation | <u>50,776</u> | <u>-</u> |
| Total Assets | <u><u>\$ 2,816,103</u></u> | <u><u>\$ 2,913,119</u></u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accrued liabilities | \$ 9,492 | \$ 6,326 |
| Scholarships payable from return of amounts previously awarded | - | - |
| Scholarships payable from the repayment of defaulted scholarships | - | - |
| Scholarships payable-other | 2,448,545 | 2,667,817 |
| Bank loan payable | <u>125,567</u> | <u>-</u> |
| Total Liabilities | <u>2,583,604</u> | <u>2,674,143</u> |
| Net Assets | | |
| Unrestricted, undesignated | 232,499 | 238,976 |
| Restricted | <u>-</u> | <u>-</u> |
| Total Net Assets | <u>232,499</u> | <u>238,976</u> |
| Total Liabilities and Net Assets | <u><u>\$ 2,816,103</u></u> | <u><u>\$ 2,913,119</u></u> |

Read Report of Independent Certified Public Accountants.
The accompanying notes are an integral part
of these financial statements.

FLORIDA FUND FOR MINORITY TEACHERS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| <i>Changes in Unrestricted Net Assets</i> | | |
| REVENUES | | |
| Minority Teacher Scholarship Program | \$ 917,798 | \$ 1,000,000 |
| Converted Scholarship Payable | 100,000 | 100,000 |
| Interest Income | 62,595 | 87,028 |
| Other Income | 5,474 | 4,353 |
| | 1,085,867 | 1,191,381 |
| Net assets released from restriction | - | 2,000 |
| Total Revenues | 1,085,867 | 1,193,381 |
| EXPENSES | | |
| <i>Program Services</i> | 1,031,762 | 1,081,284 |
| <i>Supporting Services</i> | | |
| Management & General | 60,452 | 46,189 |
| Fundraising | 130 | 159 |
| | 60,582 | 46,348 |
| Total Support Services | 60,582 | 46,348 |
| Total Expenses | 1,092,344 | 1,127,632 |
| CHANGE IN UNRESTRICTED NET ASSETS | (6,477) | 65,749 |
| <i>Changes in Restricted Assets</i> | | |
| Net assets released from restriction | - | (2,000) |
| CHANGE IN RESTRICTED NET ASSETS | - | (2,000) |
| CHANGE IN NET ASSETS | (6,477) | 63,749 |
| NET ASSETS, beginning of year, as previously reported | 238,976 | 144,459 |
| PRIOR PERIOD ADJUSTMENT | - | 30,768 |
| NET ASSETS, end of year | \$ 232,499 | \$ 238,976 |

Read Report of Independent Certified Public Accountants.
The accompanying notes are an integral part
of these financial statements.

FLORIDA FUND FOR MINORITY TEACHERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Program Services</u> | <u>Support Services</u> | | <u>Total</u> |
|--|-------------------------|-------------------------------------|--------------------|---------------------|
| | <u>Scholarships</u> | <u>Management & General</u> | <u>Fundraising</u> | |
| Salaries, benefits & taxes | \$ 112,601 | \$ 44,883 | \$ - | \$ 157,484 |
| Scholarships | 871,908 | - | - | 871,908 |
| Office expenses | 4,298 | 1,940 | - | 6,238 |
| Collection fees | 450 | - | - | 450 |
| Contract labor | 5,500 | - | - | 5,500 |
| Postage and delivery | 768 | 125 | - | 893 |
| Professional fees | 4,583 | 4,403 | - | 8,986 |
| Telephone | 3,586 | 605 | 130 | 4,321 |
| Travel, conferences & meetings | 27,995 | 4,220 | - | 32,215 |
| Total expenses before depreciation and interest expense | 1,031,689 | 56,176 | 130 | 1,087,995 |
| Depreciation | 73 | - | - | 73 |
| Interest | - | 4,276 | - | 4,276 |
| Total expenses | <u>\$ 1,031,762</u> | <u>\$ 60,452</u> | <u>\$ 130</u> | <u>\$ 1,092,344</u> |

Read Report of Independent Certified Public Accountants.
The accompanying notes are an integral part
of these financial statements.

**FLORIDA FUND FOR MINORITY TEACHERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Program Services</u> | | <u>Support Services</u> | | <u>Total</u> |
|--------------------------------|-------------------------|-------------------------------------|-------------------------|---------------------|--------------|
| | <u>Scholarships</u> | <u>Management & General</u> | <u>Fundraising</u> | | |
| Salaries, benefits & taxes | \$ 92,381 | \$ 36,823 | \$ - | \$ 129,204 | |
| Scholarships | 950,000 | - | - | 950,000 | |
| Office expenses | 2,117 | 956 | - | 3,073 | |
| Collection fees | 250 | - | - | 250 | |
| Contract labor | 5,500 | - | - | 5,500 | |
| Postage and delivery | 1,469 | 239 | - | 1,708 | |
| Professional fees | 4,488 | 4,312 | - | 8,800 | |
| Telephone | 4,401 | 742 | 159 | 5,302 | |
| Travel, conferences & meetings | 20,678 | 3,117 | - | 23,795 | |
| Total expenses | <u>\$ 1,081,284</u> | <u>\$ 46,189</u> | <u>\$ 159</u> | <u>\$ 1,127,632</u> | |

Read Report of Independent Certified Public Accountants.
The accompanying notes are an integral part
of these financial statements.

**FLORIDA FUND FOR MINORITY TEACHERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received for scholarships | \$ 917,798 | \$ 1,000,000 |
| Cash received from notes receivable | 60,337 | 95,652 |
| Cash received from interest receivable | 7,785 | 10,877 |
| Cash received from returned scholarships | 74,000 | 80,000 |
| Other operating receipts | 5,474 | 4,353 |
| Cash paid to suppliers and employees | (225,332) | (188,127) |
| Cash paid for interest | (4,276) | - |
| Cash paid for scholarships | (1,036,000) | (1,222,000) |
| | Net Cash Provided (Used) by Operating Activities | (200,214) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (50,849) | - |
| | Net Cash Provided (Used) by Investing Activities | (50,849) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from bank loan | 140,000 | - |
| Payments on bank loan | (14,433) | - |
| | Net Cash Provided (Used) by Financing Activities | 125,567 |
| Cash, beginning of year | 789,866 | 1,009,111 |
| Cash, end of year | \$ 664,370 | \$ 789,866 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Change in net assets | \$ (6,477) | \$ 63,749 |
| <i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i> | | |
| Depreciation | 73 | - |
| Scholarships converted to notes receivable | (21,377) | (68,258) |
| Notes receivable written off to allowance account | 56,329 | 12,500 |
| (Increase) decrease in notes receivable | 60,477 | 151,925 |
| (Increase) decrease in interest receivable | (46,273) | (61,801) |
| (Increase) decrease in prepaid expenses | (26,860) | (22,951) |
| Increase (decrease) in accrued liabilities | 3,166 | 6,326 |
| Increase (decrease) in scholarships payable | (219,272) | (300,735) |
| | Total Adjustments | (282,994) |
| | \$ (200,214) | \$ (219,245) |

Read Report of Independent Certified Public Accountants.
The accompanying notes are an integral part
of these financial statements.

FLORIDA FUND FOR MINORITY TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE A - DESCRIPTION OF ORGANIZATION

The Florida Fund for Minority Teachers, Inc. (the Organization) is a governmental not-for-profit corporation organized in 1997 pursuant to Florida Senate Bill 0002. The Organization was established to assist Florida's higher education institutions in the recruitment, retention, and graduation of minority teacher scholars.

The Organization's program services include awarding Minority Teacher Education Scholarships, which are aimed at increasing the number of minority teachers in Florida's public schools.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Net assets and revenues, expenses, gains, and losses are classified based on the existence of externally imposed constraints by creditors, grantors, contributors, or laws/regulations of other governments placed on them. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to externally imposed constraints including restricted contributions whose restrictions are met in the same reporting period.

Restricted net assets - Net assets are restricted when externally imposed constraints by creditors, grantors, contributors, or laws/regulations of other governments are placed on them or constraints are imposed by law through constitutional provisions or enabling legislation.

Estimates

The preparation of the 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 may differ from those estimates.

Property and Equipment

Property and equipment are stated at historical cost and depreciated using the straight-line method over the estimated useful lives of each asset – furniture, fixtures and equipment, 5 years. Generally, acquisitions of property and equipment in excess of \$500 are capitalized.

Donated Materials

Donated materials or equipment, when received, are reflected as contributions in the financial statements at their estimated fair market values at the date of receipt.

Read Report of Independent Certified Public Accountants.

FLORIDA FUND FOR MINORITY TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes Receivable

Notes receivable represents amounts due from scholarship recipients that have failed to meet the requirements of the scholarship program. The graduates of the program are required to teach for one year in a Florida public school for each year they received scholarships. If they do not graduate within three years, or graduates do not teach in a Florida public school, they are required to repay the total amount of the scholarships they received with interest at eight percent annually. Interest begins accruing the first day of the thirteenth month after the month in which the recipient completed an approved teacher education program or after the month in which enrollment as a full-time student was terminated. The scholarship must be repaid within 10 years of the date of graduation or termination of full-time enrollment. In the event of default on this scholarship, the entire unpaid balance, including interest accrued, will become due and payable at the option of the Organization. Due to the nature of the terms of repayment outlined above Notes Receivable are presented as non-current in the financial statements. Repayment terms are based on the individual's ability to pay with the only stipulation that it must be paid in ten years.

Scholarships Payable

Scholarships payable consists of monies returned to the Organization by the participating universities because of subsequent ineligibility of scholarship recipients. These monies are available for future scholarships to applicants meeting the eligibility requirements of the scholarship program. The payable also includes amounts that were distributed to applicants that defaulted on the terms of the scholarship and must now repay the Organization the scholarships awarded.

Converted Scholarships Payable

During the year ended June 30, 2016 and 2015 the Florida Department of Education allowed the Organization to use amounts previously recorded as scholarships payable to pay administration expenses of the Organization.

The impact of this transaction was to decrease scholarships payable and increase revenue since the Organization was relieved of the scholarship obligation. The amount totaled \$100,000 for each of the years ended June 30, 2016 and 2015.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and accounts receivable. The Organization places its cash with creditworthy, high quality financial institutions. Accounts are maintained at institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount in excess of the FDIC limit totaled \$351,600 and \$350,987 at June 30, 2016 and 2015, respectively. The Organization has not experienced any losses on its deposits.

For the year ended June 30, 2016, approximately 94% of the Organization's total revenues were from the Florida Department of Education pursuant to the Minority Teacher Education Scholarship Program (92% for the year ended June 30, 2015.)

Read Report of Independent Certified Public Accountants.

FLORIDA FUND FOR MINORITY TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing programs have been summarized on a functional basis in the statement of functional expenses. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses that benefit more than one program are allocated to the various programs based on the relative benefit provided. Administrative and general expenses are allocated to programs based on salaries.

Income Tax Status

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is treated as a publicly supported organization, and not as a private foundation. Management is not aware of any activities that would jeopardize the Organization's tax-exempt status.

The Organization accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Organization recognizes tax positions only to the extent that Management believes it is "more likely than not" that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements for the years ended June 30, 2016 and 2015.

The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for fiscal years ending prior to June 30, 2013.

Fair Value of Financial Instruments

Professional standards require disclosure of fair value information about financial instruments for which it is practicable to estimate that value. The carrying amounts of cash and money market accounts approximate fair value due to the short maturity of those instruments. The fair value of the Organization's notes receivable carrying value approximates fair value.

FLORIDA FUND FOR MINORITY TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE C – NOTES RECEIVABLE

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Notes receivable from defaulted scholarship recipients. The notes are unsecured, and must be paid within 10 years of default on scholarship with interest accruing at 8%. | \$ 6,091,735 | \$ 6,187,164 |
| Interest receivable on notes from defaulted scholarships. | 3,990,659 | 3,944,386 |
| Less allowance | <u>(8,062,016)</u> | <u>(8,062,016)</u> |
| | <u>\$ 2,020,378</u> | <u>\$ 2,069,534</u> |

The Organization estimates that 13% of the receivables would be collected because the majority of defaults are former scholars that have failed to report that they are teaching in a Florida public school in compliance with their scholarship awards.

NOTE D – FAIR VALUE MEASUREMENTS

In accordance with Professional Standards, *Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under Professional Standards are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Read Report of Independent Certified Public Accountants.

**FLORIDA FUND FOR MINORITY TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE D – FAIR VALUE MEASUREMENTS (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable input and minimize the use of unobservable inputs.

Notes Receivable and Interest Receivable - valued at the unpaid balance of the notes and the interest accrued there on at the statement of financial position date, less a collection allowance. The value reflects the Organization's own assumptions about the collectability of the notes receivable based on the relevant facts surrounding the loans such as the ability to locate the student, whether or not the amount is properly deferred, whether or not the student has acquired a teaching job in a Florida Public School, the ability of the student to pay any amounts toward the loan that rose as a result of scholarship default.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2016:

| | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
|--|---------------------|-----------------------|-----------------------|-----------------------|
| Notes receivable from Scholarships in default | \$ 1,164,346 | \$ - | \$ - | \$ 1,164,346 |
| Interest receivable from scholarships in default | 856,032 | - | - | 856,032 |
| Total | \$ 2,020,378 | \$ - | \$ - | \$ 2,020,378 |

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2015:

| | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
|--|---------------------|-----------------------|-----------------------|-----------------------|
| Notes receivable from Scholarships in default | \$ 1,259,775 | \$ - | \$ - | \$ 1,259,775 |
| Interest receivable from scholarships in default | 809,759 | - | - | 809,759 |
| Total | \$ 2,069,534 | \$ - | \$ - | \$ 2,069,534 |

Read Report of Independent Certified Public Accountants.

FLORIDA FUND FOR MINORITY TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE E- PROPERTY AND EQUIPMENT

Property and equipment, at cost, at June 30,:

| | 2016 | 2015 |
|------------------------------------|---------------|--------------|
| Computer equipment | \$ 23,920 | \$ 22,380 |
| Furniture and Fixtures | 11,076 | 11,076 |
| Office Equipment | 1,650 | 1,481 |
| Computer software | 49,140 | - |
| Total Property and Equipment | 85,786 | 34,937 |
| Less: Accumulated Depreciation | (35,010) | (34,937) |
| Net Property and Equipment | \$ 50,776 | \$ - |

NOTE F – BANK LOAN PAYABLE

The Organization’s obligation under a bank loan consists of the following at June 30, 2016:

Note payable to bank, \$2,673 total monthly payments including interest of 5.4%, due December 2021, secured by real estate \$ 125,567

Future scheduled maturities of long-term debt are as follows:

For the years ending December 31:

| | |
|-----------|----------------|
| 2017 | \$ 25,931 |
| 2018 | 27,367 |
| 2019 | 28,881 |
| 2020 | 30,480 |
| 2021 | 12,908 |
| Total | \$ 125,567 |

Read Report of Independent Certified Public Accountants.

FLORIDA FUND FOR MINORITY TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE G – PRIOR PERIOD ADJUSTMENT

The Organization shares staff with the University of Florida (UF). UF directly pays the Organization staff and the Organization reimburses UF. UF lowered its processing fee and a prepaid balance accumulated over time. A prepaid balance of approximately \$43,236 was discovered in fiscal year 2016 and the Organization reduced its amount of salary reimbursement to UF by that same amount.

Beginning net assets for the year ended June 30, 2015 have been restated to reduce the effects of salary expenses that should have been recorded as prepaid assets. Beginning net assets increased by \$30,768 at June 30, 2015. Prepaid expenses were increased by \$43, 236 in 2015 and changes in unrestricted net assets increased by \$12,468.

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION AND OTHER REPORTS

**FLORIDA FUND FOR MINORITY TEACHERS, INC.
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
JUNE 30, 2016**

| Description | Total Contract Amount | CSFA No. | Contract No. | State Expenditures |
|--|-----------------------------|-------------|-----------------|-----------------------|
| GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE | | | | |
| <u>STATE ASSISTANCE</u> | | | | |
| FLORIDA DEPARTMENT OF EDUCATION | | | | |
| Education Enhancement Lottery Trust Fund for Minority Teacher Scholarship Program | \$ 917,798 | 48.049 | 90460 | <u>\$ 917,798</u> |
| | | | | <u>\$ 917,798</u> |

NOTE 1. Basis of Presentation

The accompanying schedule of expenditures of financial awards includes the state grant activity of Florida Fund for Minority Teachers, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650 Rules of the Auditor General, State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
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 Florida Fund For Minority Teachers, Inc.
Gainesville, Florida

We have audited, in accordance with the 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 Florida Fund For Minority Teachers, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 opinions 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.

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

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.

Rooder & Associates, PA

Certified Public Accountants
September 23, 2016



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR STATE PROJECT AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.650
RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA**

To Florida Fund For Minority Teachers, Inc.
Gainesville, Florida

Report on Compliance for Each Major State Project

We have audited Florida Fund For Minority Teachers, Inc. (the Organization) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major state projects for the year ended June 30, 2016. The Organization's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General, State of Florida. Those standards, and Chapter 10.650, Rules of the Auditor General, State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements, referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, State of Florida, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Reeder & Associates, PA

Certified Public Accountants
September 23, 2016

**FLORIDA FUND FOR MINORITY TEACHERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Florida Fund For Minority Teachers, Inc. (the Organization).
2. There were no significant deficiencies disclosed during the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the Organization were disclosed during the audit of the basic financial statements.
4. There were no significant deficiencies disclosed during the audits of the major state financial assistance projects.
5. The auditor's report on compliance for the major state financial assistance projects for the Organization expresses an unmodified opinion.
6. There were no audit findings relative to the major state financial assistance projects of the Organization.
7. The projects tested as major projects included:

State:

Florida Department of Education

48.049 Education Enhancement Lottery Trust Fund
for Minority Teacher Scholarship Program

\$917,798

8. The threshold for distinguishing Type A and Type B projects was \$275,340 for major state financial assistance projects.

FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE PROGRAMS

NONE

OTHER ISSUES

NONE

E. PRIOR YEAR FINDINGS

NONE

**F. MANAGEMENT LETTER -CHAPTER 10.650, RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA
NO ITEMS REQUIRED TO BE REPORTED**

G. CORRECTIVE ACTION PLAN

NOT APPLICABLE AS NO ITEMS REPORTED