THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008
# Index to Financial Statements

**JUNE 30, 2008**

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INDEPENDENT AUDITORS' REPORT

November 7, 2008

To the Board of Directors
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.
Naples, Florida

We have audited the accompanying statement of financial position of THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC. as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 EDUCATION FOUNDATION OF COLLIER COUNTY, INC. as of June 30, 2008, 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.

WENTZEL, BERRY, WENTZEL & PHILLIPS, P.A.
Certified Public Accountants
Naples, Florida
FINANCIAL STATEMENTS
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

ASSETS

Cash (Note 2) $ 657,802
Pledges receivable 131,523
Investments:
  Community Foundation (Note 3) 60,277
  Prepaid scholarships (Note 3) 3,291,023
Other assets 1,605
Property and equipment, net (Note 5) 12,728
Total Assets $ 4,154,958

LIABILITIES AND NET ASSETS

Liabilities:
  Accounts payable $ 28,582
  Deferred revenues 32,500
Total Liabilities 61,082

Net Assets:
  Unrestricted 163,885
  Temporarily restricted (Note 6) 3,796,678
  Permanently restricted (Note 7) 133,313
Total Net Assets 4,093,876

Total Liabilities and Net Assets $ 4,154,958

The accompanying notes are an integral part of these financial statements.
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

CHANGES IN UNRESTRICTED NET ASSETS:
Support and Revenues:
   Donations and grants $ 608,282
   Special events, net of costs $164,874
   In-kind contributions 149,862
   Interest and investment income 452,532
   Total Unrestricted Support and Revenues 1,235,845

Net assets released from restrictions:
   Satisfaction of purpose restrictions 688,760
   Total Unrestricted Support and Revenues 1,924,605

Expenses:
   Program Services:
      Teacher Recognition 314,119
      Community Relations 151,152
      Literacy and Grants Program 266,429
      Take Stock in Children 533,639
      Educator Leadership Programs 433,910
      Total Program Services 1,699,249

   Supporting Services:
      Fundraising 134,589
      General and administrative 87,625
   Total Supporting Services 222,214

   Total Expenses 1,921,463

   Increase in Unrestricted Net Assets 3,142

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:
   Donations and grants 791,997
   Less – satisfaction of purpose restrictions (688,760)
   Increase in Temporarily Restricted Net Assets 103,237

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:
   Write off – uncollectible pledge (1,500)

CHANGES IN NET ASSETS 104,879

NET ASSETS BEGINNING OF YEAR 3,988,997

NET ASSETS END OF YEAR $ 4,093,876

The accompanying notes are an integral part of these financial statements.
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

INCREASE (DECREASE) IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES:
Changes in net assets $ 104,879
Adjustments to reconcile change in net assets to net cash provided by operating activities:
  Depreciation 6,938
  Decrease in pledges receivable 59,730
  Decrease in other assets 2,278
  Increase in accounts payable and other (31,204)
  Increase in deferred revenue (2,500)

  Net Cash Provided By Operating Activities 140,121

CASH FLOWS FROM INVESTING ACTIVITIES:
Purchases of Florida Prepaid Scholarships (171,640)
Purchases of property and equipment (2,090)

  Net Cash (Used In) Investing Activities (173,730)

Net Decrease in Cash (33,609)

CASH, Beginning of Year 691,411

CASH, End of Year $ 657,802

The accompanying notes are an integral part of these financial statements.
THE EDUCATION FOUNDATION OF COLLIER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
The EDUCATION FOUNDATION OF COLLIER COUNTY, INC. (the "FOUNDATION") was incorporated on July 20, 1990 under the laws of Florida as a not-for-profit private foundation. The Foundation is committed to improving the quality of education by increasing community involvement with and support for the Collier County Public Schools. The primary source of revenue is individual and corporate donors in Collier County.

Method of Accounting
The accounts of the FOUNDATION are maintained, and the accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Foundation obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Financial Statement Presentation
The FOUNDATION adopted Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations". SFAS No. 117 requires that the Organization present information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted
All resources over which the governing board has discretionary control. The governing board of the FOUNDATION may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Temporarily Restricted
Resources accumulated through donations for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted
Endowment resources accumulated through donations that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments. See Note 7 regarding the Foundation's permanently restricted net assets.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation
As further described below, the FOUNDATION, adopted Statement of Financial Accounting Standards (SFAS) No.'s 116 and 117, "Accounting for Contributions Received and Contributions Made" and "Financial Statements of Not-for-Profit Organizations", respectively. SFAS No. 116 requires not-for-profit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expired as mentioned earlier. SFAS No. 117 requires classification of net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Under SFAS No. 116, contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of the estimated cash flows, using risk-free interest rates applicable to the years in which the promises are to be received.

Pledges Receivable
Pledges receivable are stated at the amount management expects to collect from outstanding balances. Generally accepted accounting principles require management to provide for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Based on prior experience and on the aforementioned assessment of the current status of individual accounts, management elects not to provide for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance as management expects all pledge amounts to be fully collectible. Alternatively, it is the FOUNDATION's policy to utilize the direct write-off method and charge uncollectible receivables to expense when management determines the receivable will not be collected. Such policy does not significantly differ from generally accepted accounting principles. There was $12,150 bad debt expense recorded during fiscal year end June 30, 2008.

Investments
Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, the FOUNDATION carries investments at the fair value determined by the quoted market prices on the last day of the year. Investment income may be either unrestricted, temporarily or permanently restricted resources when earned, determined according to the donor's imposed restrictions. All interest income earned during the fiscal year end June 30, 2008 was classified as unrestricted.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment
Property and equipment are recorded at cost when purchased or at fair market value at the time of contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of property and equipment generally as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers and equipment</td>
<td>5</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>7</td>
</tr>
<tr>
<td>Program fixtures</td>
<td>5</td>
</tr>
<tr>
<td>Musical instruments</td>
<td>7</td>
</tr>
</tbody>
</table>

Expenditures for routine maintenance and repairs are charged to expense as incurred.

Contributions
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. The Organization reports donations of cash contributions not given for a specific purpose by the donor as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions satisfied by payments.

Non-cash donations are recorded as contributions at their estimated fair market value.

In-kind Contributions
In-kind contributions represent the fair market values for goods and services provided for the Foundation. Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. These contributions are included in the Statement of Activities under in-kind contributions.

Cash Flows
For purposes of the statement of cash flows, the FOUNDATION considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash consisted of bank deposit and money market accounts at June 30, 2008.

Income Taxes
The FOUNDATION is exempt from federal and state income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code, and similar state Code. As such, only unrelated business income, as defined by Section 512 (a)(1) of the Code is subject to federal income tax.
NOTE 2 - CASH

The FOUNDATION maintains its cash at three financial institutions located in Naples, Florida. Accounts at the commercial banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $100,000. Cash of the Foundation exceeded this balance by approximately $533,068 at June 30, 2008.

NOTE 3 - INVESTMENTS

The Foundation has invested funds in the Florida Prepaid College Program, and has received matching funds from the State of Florida. These funds are to be used in the future to pay college tuition for low income, at risk students who are currently attending Collier County schools. In 2008, the Foundation transferred thirty-six unused scholarships that were previously purchased for Quest Educational Foundation to Quest Educational Foundation's account at the Florida Prepaid College Program.

The investments at June 30, 2008 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Foundation of Collier County</td>
<td>$ 60,227</td>
</tr>
<tr>
<td>Florida Prepaid Scholarships</td>
<td>3,291,023</td>
</tr>
<tr>
<td></td>
<td><strong>$ 3,351,250</strong></td>
</tr>
</tbody>
</table>

NOTE 4 - LUCIE JENNY MACCARTHY FUND

In 1999, the Community Foundation of Collier County received a gift from the Lucie Jenny MacCarthy Charitable Remainder Unitrust that is held and owned by Community Foundation of Collier County. It was the wish of the donor that the funds be used by The Education Foundation of Collier County, Inc. to support and enhance music education in the Collier County public school system. However, the ultimate authority over the distribution of the funds was left with the board of Trustees of the Community Foundation of Collier County.

The balance at the Community Foundation at June 30, 2008 was $661,126 and is not reflected in the accompanying financial statements.
NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2008 consisted of the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>$32,412</td>
</tr>
<tr>
<td>Equipment</td>
<td>$25,654</td>
</tr>
<tr>
<td>Musical Instruments</td>
<td>$9,085</td>
</tr>
<tr>
<td>Program fixtures</td>
<td>$63,000</td>
</tr>
</tbody>
</table>

Total: $130,151

Less: accumulated depreciation

Total: $(117,423)

Property and equipment, net $12,728

Depreciation expense for the year ended June 30, 2008 totaled $6,938 and is included in general and administrative expenses in the accompanying Statement of Activities.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted funds at June 30, 2008 consisted of the following:

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Prepaid Scholarship Program</td>
<td>$3,291,023</td>
</tr>
<tr>
<td>Lucie Jenny MacCarthy Fund</td>
<td>$74,578</td>
</tr>
<tr>
<td>Take Stock In Children</td>
<td>$240,095</td>
</tr>
<tr>
<td>Other miscellaneous</td>
<td>$190,982</td>
</tr>
</tbody>
</table>

Total temporarily restricted funds $3,796,678

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted funds at June 30, 2008 consisted of the following:

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ritz Carlton</td>
<td>$50,000</td>
</tr>
<tr>
<td>State of Florida</td>
<td>$12,500</td>
</tr>
<tr>
<td>Northern Trust</td>
<td>$10,000</td>
</tr>
<tr>
<td>Strong Roots Campaign</td>
<td>$15,000</td>
</tr>
<tr>
<td>Other miscellaneous</td>
<td>$45,813</td>
</tr>
</tbody>
</table>

Total permanently restricted funds $133,313
NOTE 8 - COMMITMENTS

The Foundation leases office space at a monthly installment of $2,083 until July 31, 2009. The monthly installment will be $3,333 until the lease expires on July 31, 2011. The Foundation leases a copier at $258 per month with the lease expiring on March 24, 2010. The lease expense in 2008 totaled $43,247.

Minimum future annual base rent is as follows:

<table>
<thead>
<tr>
<th>June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$ 28,092</td>
</tr>
<tr>
<td>2010</td>
<td>41,078</td>
</tr>
<tr>
<td>2011</td>
<td>3,333</td>
</tr>
</tbody>
</table>

$ 72,503