THE UNIVERSITY OF NORTH FLORIDA TRAINING AND SERVICES INSTITUTE, INC.

Financial Statements and Supplementary Information

June 30, 2009 and 2008

BERMAN HOPKINS WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

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BERMAN HOPKINS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The University of North Florida Training
and Services Institute, Inc.

We have audited the accompanying balance sheets of the University of North Florida Training and Services Institute, Inc. (the Institute), a direct support organization and component unit of the University of North Florida, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Institute's management. Our responsibility is to express opinions 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 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 the 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.

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

In accordance with *Government Auditing Standards,* we have also issued our report dated September 9, 2009 on our consideration of the Institute'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming opinions on the basic financial statements of the Institute taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2009 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

September 9, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

The University of North Florida Training & Services Institute, Inc.
Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The University of North Florida Training & Services Institute, Inc. (the Institute) presents its financial statements for the fiscal year ended June 30, 2009, which include for comparative purposes the fiscal years ended June 30, 2008 and 2007. The Institute is a direct support organization and component unit of the University of North Florida (a governmental agency).

The Institute's financial statements are presented on an accrual basis and include the recording of depreciation. The statements' presentation includes 1) assets and liabilities as current and non-current; 2) revenues and expenses as operating and non-operating; 3) the use of the direct method for statements of cash flows; and 4) management's discussion and analysis (MD&A) of the financial results.

The MD&A focuses on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

The financial statements include the following:

1. Basic financial statements -
    a. Balance Sheets
    b. Statements of Revenues, Expenses, and Changes in Net Assets
    c. Statements of Cash Flows
    d. Notes to the financial statements, and

2. Schedule to the financial statements - Schedule of Expenditures of Federal Awards

FINANCIAL HIGHLIGHTS

<u>2009</u>

- The Institute of Police Technology and Management (IPTM) received 18 grants in fiscal year 2009 from the Florida Department of Transportation totaling nearly $3.3 million. These grants funded the development and implementation of various highway safety initiatives in the areas of motorcycle safety, impaired driving and occupant protection. The UNF Office of Research and Sponsored Programs (ORSP) assisted with specific components of the grant projects, which resulted in approximately $212,819 in grant funds for ORSP.

- *2009 IPTM Educational and International Programs.* IPTM contract training programs increased by approximately 20% ($1.927 million over fiscal 2008's amount of $1.609 million). The increase is attributed to the continuation of a revised marketing plan and attendance at various law enforcement trade shows to continue promoting IPTM programs. IPTM conducted four (4) courses for the United States Navy in Sasebo, Japan. Courses were also conducted in Canada, Puerto Rico, Australia and Saipan.

- During fiscal year 2009 IPTM substantially revised its advertising strategies. As the economy declined it became imperative to identify new markets in order to increase and diversify the IPTM customer base. With new law enforcement agencies added to the customer database, a changed direct mail flyers' format and additional special mailings enabled IPTM to advertise to a significantly larger market with only a small increase in costs. From fiscal year 2008 to fiscal year (FY) 2009, the results were an increase in overall attendance of approximately 364 students. In FY 2009, participants were from 31 states.

- The Public Safety Institute (PSI) continued to monitor expenses related to printing, travel and marketing activity. PSI management has formed partnerships with seventeen additional law enforcement related organizations that showcase training products to provide training materials. Additionally, PSI has increased its participation in regional law enforcement meetings and events that include the twenty-four Counties that surround the Orlando area, which minimally impacted the travel expenses.

- In fiscal 2009, the Institute provided approximately $1.2 million to the University for the Brooks College of Health (BCOH) addition, of which approximately $63,000 was refunded to the Institute. The $1.137 million (net) completed the Institute's commitment for this construction project.

- The Institute provided to UNF's Division of Academic Affairs its annual allocation of $50,000 for faculty development.

- *2009 TSI Investments.* The TSI's $4.104 million in investments encountered a very volatile market as the time to pay for TSI commitments to UNF for constructions projects scheduled due dates were near. During the fiscal year the investments decreased by $2.163 million due to a combination of withdrawals for construction projects ($1.344 million) and a decrease calculated on a total return basis of approximately $818,000. Additionally, approximately $12,000 of interest was earned on other operational accounts.

  In November 2008, $485,000 was used as partial payment for the Brooks College of Health Addition. In March 2009, the Institute's Board approved a $2 million withdrawal from investment to preserve the principal. The $2 million was used to pay the remainder of the BCOH Addition commitment (approximately $714,000) and a six-month business Certificate of Deposit (CD) was purchased with the remainder ($1.286 million) to preserve the principal for the FY 2010 payment for the Student Union commitment. In June 2009, an additional $150,000 investments withdrawal was used for operational expenses due to a large number of year-end grant expenses for the media waves.

- The net assets decreased by 38.1% or approximately $2.169 million. The decrease is primarily due to the volatile investment market with the depreciation in investment values, the payment of the TSI Commitment for the construction of the Brooks COH Addition ($1.137 million) and an increase in operational expenses.

2008

- In fiscal 2008, the Institute of Police Technology Management (IPTM) received six Florida Department of Transportation (FDOT) grants totaling approximately $957,000. The grants were for the purpose of the improvement of motorcycle safety within the State of Florida. Under these grants, IPTM facilitated a comprehensive assessment and a series of public opinion surveys to measure the effectiveness of the State's current motorcycle safety program.

  A series of roundtable meetings throughout Florida were conducted to gain community input and support for a new 5-year motorcycle safety strategic plan. In addition, a public education, television and radio campaign was designed to reduce alcohol-impaired motorcycle operation and promote a "share the road with motorcycles" safety message. IPTM received an additional $50,000 grant to promote safety belt use within Florida's diverse communities. The project was in support of the nationwide Click It or Ticket mobilization. IPTM implemented a media and public education campaign specifically addressing Hispanic and African American motorists.

- *2008 IPTM Educational Programs.* The IPTM contract programs increased by 6% ($1.609 million) over fiscal 2007 ($1.517 million). The increase was attributed to the implementation of a revised marketing plan and attendance at various law enforcement trade shows to promote IPTM programs.

- In addition to the Florida regional Radar testing program, IPTM tested 400 Laser/Lidar units for the California Highway Patrol. These units were tested to the International Association of Chiefs of Police (IACP) Consumer Products List (CPL) standards. In fiscal 2008, Radar revenue increased by 106% or $150,400 over the 2007 amount of approximately $73,000.

- The Public Safety Institute (PSI) reviewed its printing costs and was able to reduce its printing per page cost from $.05 to $.03, which was a considerable overall savings. In addition, PSI revised its out-of-state marketing plan to target states with funding for proactive professional training for their personnel, which included the agencies in states of Alabama, Georgia, North Carolina, South Carolina and Tennessee.

- In February 2008, the Institute updated its Investment Policy's asset allocation, targets and benchmarks as follows:

Asset Group	From	To	Ranges	Benchmark
Large Cap Equity	35%	30%	23% - 37%	S&P 500 Index
Small/Mid Cap Equity	10%	10%	7% - 13%	Russell 2000 Index
International Equity	15%	20%	15% - 20%	MSCI-EAFE Index
Total Equity	60%	60%	53% - 67%	
Fixed Income Securities	40%	40%	33% - 47%	ML Domestic Master
Cash & Equivalents	0%	0%	0% - 3%	ML 91 Day US T-Bill
Total	100%	100%		

- In addition, an RFP was issued in June 2008 for a new TSI investment consulting Firm. The Bogdahn Group was hired in July 2008. Merrill Lynch remained the custody bank for the TSI investments.

- The Institute provided to UNF's Division of Academic Affairs its annual allocation of $50,000 for faculty development.

- *2008 TSI Investments.* The TSI owned securities generated a total return decrease of approximately $92,000 calculated on a total –return basis.

- The net assets decreased by 5% or approximately $286,000. The decrease is primarily due to the volatile investment market with the depreciation in investment values and an increase in operational expenses.

The following sections in the MD&A include an analysis of the three basic financial statements listed above, capital assets, and economic outlook.

Balance Sheets

The purpose of the Balance Sheet is to present the reader with a look at the Institute's financial condition as of the end of the fiscal year.

In reading the Balance Sheet, the reader will be able to determine the Institute's ability to continue operations and how much it owes to vendors, and other lending institutions. It provides a snapshot of the net assets and their availability for expenditure by the Institute.

As of June 30
(In thousands of dollars)

	2009	2008	Increase (decrease)	Change	2007	Increase (decrease)	Change
Assets							
Current assets	$ 1,783	$ 1,949	$ (166)	-8.5%	$ 1,685	$ 264	15.7%
Noncurrent assets:							
Capital assets, net	-	-	-	-	1	(1)	-100.0%
Other	2,491	4,654	(2,163)	-46.5%	5,123	(469)	-9.2%
Total assets	4,274	6,603	(2,329)	-35.3%	6,809	(206)	-3.0%
Liabilities:							
Current liabilities	482	641	(159)	-24.8%	596	45	7.6%
Noncurrent liabilities	265	266	(1)	-0.4%	231	35	15.2%
Total liabilities	747	907	(160)	-17.6%	827	80	9.7%
Net assets:							
Invested in capital assets	-	-	-	-	1	(1)	-100.0%
Restricted by contract	1,000	1,000	-	0.0%	1,000	-	0.0%
Unrestricted net assets	2,527	4,696	(2,169)	-46.2%	4,981	(285)	-5.7%
Total net assets	3,527	5,696	(2,169)	-38.1%	5,982	(286)	-4.8%
Total liabilities and net assets	$ 4,274	$ 6,603	$ (2,329)	-35.3%	$ 6,809	$ (206)	-3.0%

The Balance Sheets are presented as part of the basic financial statements. For fiscal year ended June 30, 2009, the total net assets decreased by 38.1% or approximately $2.169 million. This year's activity included the following:

Current Assets

- During fiscal 2009, *current assets,* decreased by $166,000, or -8.5%. The increases were due to the approximately $134,000 increase in grants receivable (14.7%), in prepaid expenses of approximately $15,000 (19.7%) and in inventory of approximately $18,000 (15.4%). These increases were offset by the decreases in cash and cash equivalents of approximately $186,000 (-39.3%) and in accounts receivable of approximately $146,000 (38.7%).

- During fiscal 2008, current assets, increased by 15.7%. The increase was the result of approximately $378,000 in grants receivable (71.6%), approximately $72,000 in accounts receivable (23.4%) and in prepaid expenses of approximately $33,000 (73.9%). These increases were offset by decreases of approximately $201,000 (-29.8%) in cash and cash equivalents and a slight decrease of approximately $18,000 (-13.9%) in inventory.

Non-current Assets

2009

- *Investments.* As of June 30, 2009, the Institute's investments experienced a decrease in market value of approximately $2.163 million or -52.6%. The decrease is attributed to a combination of investment depreciation due to the market volatility and investment withdrawals of approximately $1.344 million. These funds were needed to pay the Institute's commitment to the University toward the construction of the Brooks College of Health Addition, to preserve the funds for the future payment of the Student Union commitment and to pay other operational expenses. The calculated total return on investments was a depreciation of approximately $818,000.

- *Other non-current assets* represent the outstanding $550,000 line of credit the Institute approved for the Duval County Research and Development Authority. An additional $50,000 was approved at the Institute's May 2008 Board meeting, which brings the available line of credit to $600,000. At June 30, 2009, no additional funds had been disbursed against the line of credit.

2008

- *Capital assets*. With $531 recorded in depreciation, the three vehicles used by administrative personnel and instructors became fully depreciated.

- *Investments*. In fiscal 2008, the beginning market value of $4.573 million decreased to $4.104 million or a decrease of 10.3% or approximately $469,000, which represents a combination of a cash withdrawal and current volatile market conditions.

- *Other non-current assets* represent the outstanding $550,000 line of credit the Institute approved for the Duval County Research and Development Authority. At June 30, 2008, no additional funds had been disbursed against the line of credit.

Liabilities

Current Liabilities

- During fiscal 2009, *current liabilities* decreased by 24.8% or approximately $159,000. Currently liabilities include a net of decreases in accounts payable and accrued expenses (34.3%), and deferred revenue -16.3% and an increase in leave accrual (4.8%).

- In fiscal 2008, *current liabilities* increased by 7.6% or approximately $45,000. Current liabilities included accounts payable and accrued expenses (15.4%), and deferred compensation (88.5%), which was offset by a decrease in vacation and sick leave accrual (37.9%).

Non-current Liabilities

- *Fiscal 2009 non-current liabilities* decreased by approximately $1,000 or -0.4%. This decrease is due the decrease in the amount required for payment to employees upon termination in accordance with established vacation and sick leave criteria.

- During fiscal 2008, *non-current liabilities* increased by approximately $35,000 or 15.2% in the vacation and sick leave accrual. This increase was the result of an increased number of hours payable to employees upon termination in accordance with established leave criteria.

Net Assets

The net assets at June 30, 2009, decreased to $3.527 million from $5.696 million in 2008, or 38.1%.

The Net Assets section of the Balance Sheet provides two classifications:

1. The net assets restricted by contract ($1 million) are reserves required by contract to pay terminal IPTM salaries should the University decide to cease operation of IPTM.
2. The unrestricted assets detail the amounts available to the Institute for any purpose in support of the Institute's mission. The Board of Directors has designated $1.5 million of the Institute's unrestricted net assets for the UNF Student Union building. Disbursement is not expected to occur until the end of the project in Fall 2009.

Statement of Revenues, Expenses, and Changes in Net Assets

The purpose of the Statement of Revenues, Expenses, and Changes in Net Assets is to provide the details of the operating and non-operating activity for the fiscal year. This includes the revenues displayed by major source (net of discounts and allowances), expenses, and gains and losses received or expended by the Institute.

Operating revenues are revenues received from services provided (e.g. training courses, radar testing, grants, and computer software installations) to various customers and constituents of the Institute. Operating expenses are those expenses incurred to produce the operating revenues and are detailed by type, which include course materials, program fees, etc. Net operating income represents the amount of operating revenue in excess of the year's operating expenses and does not include non-operating revenue.

Statement of Revenues, Expenses, and Changes in Net Assets (continued)

Non-operating revenue is received from sources for which no service is provided by the Institute (e.g. investments). The change in net assets is the result of the excess of revenues over expenses, which is also the change in total net assets on the Balance Sheet.

Years ended June 30
(In thousands of dollars)

	2009	2008	Increase (decrease)	Change	2007	Increase (decrease)	Change
Operating revenues:							
Program fees	$ 4,106	$ 4,091	$ 15	0.4%	$ 4,338	$ (247)	-5.7%
Grants	3,389	3,102	287	9.3%	3,474	(372)	-10.7%
Computer software sales and installation fees	237	261	(24)	-9.2%	312	(51)	-16.3%
Book sales	261	314	(53)	-16.9%	341	(27)	-7.9%
Miscellaneous income/admin operations	518	638	(121)	-19.0%	74	564	762.2%
Total operating revenues	8,511	8,406	104	1.2%	8,539	(133)	-1.6%
Less TSI operating expenses	8,737	8,600	137	1.6%	8,601	(1)	0.0%
Operating loss	(226)	(194)	(33)	17.0%	(62)	(132)	212.9%
Non-operating income (losses) gains (expenses):							
Contribution to UNF - Construction Projects and Land	(1,136)	-	(1,136)	-	(3,063)	3,063	-100.0%
Non-operating income	(806)	(92)	(714)	776.1%	789	(881)	-111.7%
Non-operating income (expense)	(1,942)	(92)	(1,850)	2010.9%	(2,274)	2,182	-96.0%
Change in net assets	(2,168)	(286)	(1,883)	758.0%	(2,336)	2,050	12.2%
Net assets, beginning of year	5,696	5,982	(286)	-4.8%	8,318	(2,336)	-28.1%
Net assets, end of year	$ 3,528	$ 5,696	$ (2,169)	-38.1%	$ 5,982	$ (286)	-4.8%

The Statement of Revenues, Expenses, and Changes in Net Assets is on page 13 of the basic financial statements. For fiscal year ended June 30, 2009, the Institute's operations resulted in a decrease in net assets of approximately $2.169 million, or 38.1%. The Statements' highlights are as follows:

Operating Revenues and Expenses

<u>2009</u>

- During fiscal 2009, total *operating revenues* increased by approximately $106,000 or 1.3%. The increase is primarily the result of the net of an increase of approximately $287,000 in grants revenue over fiscal 2008 and program fees of approximately $16,000 which was offset by decreases in computer software, miscellaneous revenue and book sales.

- *Operating expenses* in total increased by 7.3% or approximately $595,000 during fiscal year 2009. The increases are primarily in the categories general administrative expenses, program fees and consultant fees, which were offset by decreases in grant equipment contributions to police departments and grant broadcasting.

- *Other expenses.* In addition, the cost associated with the Institute's contribution to UNF for its Brooks College of Health Addition Building ($1.137 million) in fiscal 2009, which completes the Institute's obligation for this project contributed to the operating loss.

2008

- During fiscal 2008, total *operating revenues* decreased by approximately $591,000 or 6.9%. The decrease was generally the result of the net of an increase primarily of 105.5% in Radar revenue (approximately $150,000 over fiscal 2007's $73,025), which was offset by decreases in program fees, grants, computer software and book sales (a total of approximately $697,000).

- *Operating expenses* in total decreased by 5.3% or approximately $459,000 in fiscal 2008. The increase realized in broadcasting grants in fiscal 2008 of approximately $1.127 million (63.0%) (over fiscal 2007's approximately $691,000), was offset by decreases in most of the expense categories: consultants, travel, grant equipment, printing, educational materials, etc.

Non-operating Income

Years ended June 30
(In thousands of dollars)

	2009	2008	Increase (decrease)	Change	2007	Increase (decrease)	Change
Non-operating income (loss):							
Contribution to UNF - Construction Projects and Land	$ (1,136)	0	$ (1,136)	100.0%	$ -	$ -	0.0%
Interest and dividends	169	375	(206)	-54.9%	$ 292	$ 83	28.4%
Net depreciation of investments	(975)	(466)	(509)	109.2%	497	(963)	-193.8%
Total non-operating income (loss)	$ (1,942)	$ (91)	$ (1,851)	2034.1%	$ 789	$ (880)	-111.5%

2009

- In fiscal 2009, the investment activity reflected a total return decrease of $806,000. This was a decrease of approximately $714,000 over 2008's total return of approximately ($92,000). The decrease is attributable to the volatility in the investment markets and to cash withdrawals from the fund to meet obligations to the University thus reducing the invested amount and correspondingly the return on that investment.

2008

- The investment activity reflects a decrease of a 111.7% total return of approximately $881,000 over the prior year's approximately $789,000.

Statements of Cash Flows

The Statements of Cash Flows show the cash provided and used for operating, and investing activities.

Operating activities included funds received for services (from program fees, grants, publications, etc.) and payments related to these services (for programs, employees' services, and supplies for goods and services) made for the Institute's operations.

Cash flow from investing activities represents funds used to purchase investments, associated investment earnings, and a decrease in notes receivables.

Economic Outlook

The Institute has no knowledge of any current facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year.

Management believes the Institute's overall financial position is strong. With detailed monitoring of each account, the Institute has sufficient funds to cover its obligations.

Requests for Information

This financial report is designed to provide a general overview of the Institute's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

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University of North Florida
TSI/Foundation Accounting
UNF Hall, Suite 2900
1 UNF Drive
Jacksonville, FL 32224-2648
(904) 620-2790

The University of North Florida Training and Services Institute, Inc.

BALANCE SHEETS

Years ended June 30,

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 287,341	$ 473,711
Accounts receivable, net	231,045	376,894
Grants receivable	1,040,342	906,813
Prepaid expenses and other assets	91,978	76,851
Inventory	132,000	114,406
Total current assets	1,782,706	1,948,675
NONCURRENT ASSETS		
Investments	1,941,687	4,104,243
Notes receivable	550,000	550,000
Total non-current assets	2,491,687	4,654,243
Total assets	$ 4,274,393	$ 6,602,918
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 242,907	$ 369,457
Vacation and sick leave accrual	37,353	35,655
Deferred revenue	171,588	205,065
Deferred compensation	30,435	30,435
Total current liabilities	482,283	640,612
NONCURRENT LIABILITIES		
Vacation and sick leave accrual	249,977	250,865
Deferred compensation	15,218	15,218
Total noncurrent liabilities	265,195	266,083
Total liabilities	747,478	906,695
NET ASSETS		
Restricted by contract	1,000,000	1,000,000
Unrestricted net assets	2,526,915	4,696,223
Total net assets	3,526,915	5,696,223
Total liabilities and net assets	$ 4,274,393	$ 6,602,918

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

The University of North Florida Training Services Institute, Inc.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended June 30,

	2009	2008
OPERATING REVENUES		
Program fees	$ 4,106,213	$ 4,090,707
Grants	3,389,413	3,101,577
Computer software sales and installation fees	236,540	261,429
Book sales	261,417	313,881
Miscellaneous income and administrative operations	517,662	638,139
Total operating revenues	8,511,245	8,405,733
OPERATING EXPENSES		
Program fees	2,747,937	2,734,706
Consultants fees	1,960,783	1,721,874
Travel	1,189,556	1,112,726
Contribution to police departments for grant equipment	6,356	185,237
Printing, postage, and telephone	782,736	735,130
Educational materials	397,243	330,321
Depreciation and amortization	-	531
Broadcasting	905,997	1,126,737
Advertising	53,014	12,251
General administrative expenses	693,993	639,969
Total operating expenses	8,737,615	8,599,482
Operating loss	(226,370)	(193,749)
NONOPERATING INCOME (LOSS)		
Contribution to UNF - Construction Projects and Land	(1,136,956)	-
Interest and dividends	169,229	374,522
Net depreciation of investments	(975,211)	(466,230)
Nonoperating loss	(1,942,938)	(91,708)
Change in net assets	(2,169,308)	(285,457)
Net assets, beginning of year	5,696,223	5,981,680
Net assets, end of year	$ 3,526,915	$ 5,696,223

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

The University of North Florida Training and Services Institute, Inc.

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2009	2008
Cash flows provided by (used in) operating activities:		
Received from program fees	$ 4,252,062	$ 4,022,106
Received from grant activity	3,255,884	2,723,349
Other operating revenues	982,142	818,658
Payments to employees for services	(2,748,748)	(2,697,689)
Payments to suppliers for goods and services	(6,147,330)	(5,444,548)
Net cash used in operating activities	(405,990)	(578,124)
Cash flows provided by (used in) investing activities:		
Payments from restricted investments for construction costs	(1,136,956)	-
Interest and dividends	169,229	374,522
Proceeds from sale of investments	2,635,000	377,509
Purchase of investments	(1,447,653)	(374,522)
Net cash provided by investing activities	219,620	377,509
Net decrease in cash and cash equivalents	(186,370)	(200,615)
Cash and cash equivalents, beginning of year	473,711	674,326
Cash and cash equivalents, end of year	$ 287,341	$ 473,711
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (226,370)	$ (193,749)
Adjustments to reconcile operating loss to net cash by provided by (used in) operating activities:		
Depreciation and amortization	-	531
Changes in assets and liabilities:		
Accounts receivable	145,849	(71,501)
Prepaid expenses and other assets	(15,127)	(32,656)
Grants receivable	(133,529)	(378,228)
Inventory	(17,594)	18,436
Accounts payable and accrued expenses	(126,550)	49,183
Deferred revenue	(33,477)	2,900
Deferred compensation	-	13,357
Vacation and sick leave accrual	808	13,603
Net cash used in operating activities	$ (405,990)	$ (578,124)

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The University of North Florida Training and Services Institute, Inc. (the Institute) is a not-for-profit entity organized to implement and administer unique educational and training programs at the University of North Florida (the University) and at other selected institutions. The Institute is a direct support organization (DSO) and component unit of the University.

2. Basis of accounting

The financial statements of the Institute have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The Institute follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government,* GASB Statement 35*, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* GASB Statement No. 37*, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34, and* GASB Statement No. 38*, Certain Financial Statement Note Disclosures* as applicable to proprietary funds*.*

GASB Statements No. 34 and No. 35 establish standards for external financial reporting which include a balance sheet, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows using the direct method. GASB Statements No. 34 and 35 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net assets into three components - invested in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.

- Restricted net assets consist of amounts restricted by contract for business continuity and future program development. All amounts were expendable as of June 30, 2009 and 2008.

- Unrestricted net assets are expendable for any purpose at the discretion of the Institute.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Federal income taxes

The Institute is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code of 1986, and is not subject to federal or state income taxes. The Institute may, however, be subject to unrelated business income tax.

The Institute has followed the provisions of FSP FIN 48-3, which delays the implementation of FIN 48, “Accounting for Income Taxes.” The Institute will be required to implement those provisions for its year ending June 30, 2010. The Institute uses the FAS 5, “Loss Contingencies” approach for evaluating uncertain tax positions and continually evaluates tax status, changes in tax laws, and any authoritative rulings.

4. Investments

Investments are stated at fair value based on quoted market prices. The Institute intends to hold its investments for the long term. However, the needs of the organization may require the sale of a portion of these assets on a short-term basis, subject to the approval of the Investment Committee.

5. Revenue recognition

The Institute receives payments for certain program services and instruction. Program fees are deemed to be earned and reported as revenue when the related courses of instruction or services are provided. Such amounts received but not yet earned are reported as deferred revenue.

6. Grants

Grant revenue is awarded, but not received by the Institute until the funds are used for the designated purpose and a request for reimbursement is filed with the State of Florida. The Institute records revenue from grants when the funds are expended during the period for the purpose designated by the grantor.

7. Cash and cash equivalents

For the purposes of the statements of cash flows, the Institute considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Inventory

Inventory consisting primarily of books and computer software is stated at cost on a first-in first-out (FIFO) basis.

9. Vacation and sick leave accrual

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.305 of the Florida Administrative Code. Employees earn annual and sick leave based on their years of service. For annual leave, however, a maximum of 352 hours can be carried forward from one year to the next or paid upon termination for administrative and professional (A&P) employees and 240 hours can be carried forward from one year to the next or paid upon termination for University support personnel services (USPS) employees. Additionally, employees who have completed at least ten years of service are eligible to receive payment for one fourth of their accrued sick leave hours, upon termination, not to exceed 480 hours. Vacation pay and sick leave payments are expensed as earned by the employee.

Accrued Compensated Absences as of June 30,

	2009	2008
Beginning Balance	$ 286,520	$ 272,916
Increases	33,597	71,060
Decreases	(32,787)	(57,456)
Ending Balance	$ 287,330	$ 286,520

Accrued compensated absence liability due within one year is estimated at $37,353.

10. Contributions to police departments for grant equipment and other items

Contributions of grant equipment are made to police departments in accordance with the requirements of the respective grants. The police departments hold title to this equipment. The value of the grant equipment contributed to the Institute and police departments in 2009 and 2008 respectively was $6,356 and $185,237, respectively. In addition, the total value of grant equipment contributions, media waves and consultant services in 2009 and 2008 was $1,589,780 and $1,311,974, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Operating income or loss

Operating revenues and expenses for a proprietary fund are those that result from providing services and producing and delivering goods and or services. Also included are all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Interest and dividends and unrealized gain or loss on investments are considered non-operating. When both restricted and unrestricted resources are available for use, the Institute's policy is to use restricted resources first, then unrestricted resources as needed.

12. Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

13. Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

Investment decisions are made by the Investment Committee of the Institute's Board of Directors and approved by the Board. All deposits and investments are held at the financial institutions in the name of the Institute.

Cash and cash equivalents

As of June 30, 2009, cash and cash equivalents include bank demand accounts and money market funds subject to immediate withdrawal. It is the Institute's policy that cash equivalent securities shall be limited to the following: (1) the money market or STIFF fund provided by the fund custodian; (2) direct obligations of the United States Government with a maturity of one year or less; (3) commercial paper with a maturity of 270 days or less that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moody's; and (4) bankers acceptances issued by the largest 50 banks in the United States (in terms of total assets). The Institute does not have a formal deposit policy for custodial credit risk with regard to cash deposits in banks but adheres to the requirements of FS 280.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Cash and cash equivalents (continued)

Cash and cash equivalents at June 30 consisted of the following:

Cash and Cash Equivalents

	2009	2008
Cash	$ 269,517	$ 451,150
Money market funds	17,824	22,561
Total	$ 287,341	$ 473,711

***Custodial credit risk - deposits*.** Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Institute's deposits may not be returned to it. At June, 30, 2009, the Institute's cash deposits with a bank were $269,517. All of the Institute's cash deposits were insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized pursuant to Chapter 280, Florida Statutes. Thus, the Institute's cash deposits are not considered exposed to custodial credit risk.

The Institute's investments in money market funds are amounts invested to meet regular operations and are included in the investments disclosures below.

Investments

The Institute's investment policy requires equity securities be limited to (1) investments in publicly traded securities on a major stock exchange or NASDAQ; (2) no more than 7% of the market value of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer; and (3) investment in the shares of companies that have been publicly traded for less than one year are limited to no more than 5% of the market value of the total equity portfolio.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

For fixed income securities, the investment policy limits investments to (1) securities rated “A” or higher by Moody’s or Standard & Poor’s rating services; (2) no more than 10% of the market value of the total portfolio shall be invested in the securities of any single corporate issuer; (3) investments in Collateralized Mortgage Obligations (CMOs) that consist of GNMAs, FNMAs, and FHLMCs, with no more than 20% of the market value of the portfolio in these types of issues and shall be restricted to those issues that are currently paying interest, receiving principal pay-downs and do not contain leverage; (4) investments in securities issued by foreign governments or corporations shall not exceed 25% of the total portfolio and (5) no limit on investments in securities issued directly by the United States Government or any agency or instrumentality thereof. The Institute’s policy prohibits investments in interest only or principal only CMOs, interest rate swaps, precious metals, limited partnerships of any kind, real estate, venture capital, futures contracts or options contracts in individually managed portfolios are prohibited. Trading on margin and short selling are also prohibited. The Institute does not have a formal policy on limiting the duration of mid-term and long-term investments.

The fair value of investments is based on valuations provided by external investment managers, which represent quoted market prices, at June 30, 2009 and 2008, and consisted of the following:

Investment Type	2009	2008
Certificate of deposit	1,291,009	-
Fixed income mutual funds	267,286	1,694,347
Equity mutual funds	383,392	2,409,896
Total	$ 1,941,687	$ 4,104,243

At June 30, 2009 and 2008, $1,000,000 of the investment balance is restricted by contract with the University to pay termination fees of Institute of Police Technology and Management (IPTM) salaries should the University discontinue the program.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the Institute’s debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income are as follows:

		Quality Rating		
Investment Type	Fair Value	AAA	AA	Unrated
Certificate of deposit	$1,291,009	$ -	$1,291,009	$ -
Fixed income mutual funds	267,286	221,189	46,097	-
Equity mutual funds	383,392	-	-	383,392
Total	$1,941,687	$ 221,189	$1,337,106	$ 383,392

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Interest rate risk. Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Institute's policy for managing its exposure to fair value loss occurring from increasing interest rates is through using the specific identification method and maintaining diversification of its investments so as to minimize the impact of downturns in the market as stated above.

		Investment Maturities (in years)		
Investment Type	Fair Value	Less than 1 to 5	6 to 10	Average Maturity
Fixed income mutual funds:				
PIMCO Total Return Fund	$ 221,189	$ -	$ 221,189	6.1
American Bond Fund	46,097	-	46,097	5.6
	$ 267,286	$ -	$ 267,286	

NOTE C - FAIR VALUE MEASUREMENTS

The Institute has provided additional information about fair value measurements which is based on the assumptions that market participants would use when pricing an asset or liability. A fair value hierarchy was established that prioritizes the information used to develop these assumptions. 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 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date;
Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 Inputs that are unobservable.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Institute uses the market approach valuation technique to value its investments.

The asset 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 measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

NOTE C - FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies use for assets measured at fair value.

Level 1 Fair Value Measurements

The fair value of the mutual funds is based on quoted net asset values of the shares held by the Institute at year-end. The fair value of the certificate of deposit is based on quoted market prices.

The following table presents the investments carried on the statement of assets and liabilities by level within the valuation hierarchy as of June 30, 2009.

	Assets at Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Certificate of deposit	$ 1,291,009	$ -	$ -	$ 1,291,009
Fixed income mutual funds	267,286	-	-	267,286
Equity mutual funds	383,392	-	-	383,392
Total	$ 1,941,687	$ -	$ -	$ 1,941,687

NOTE D - ACCOUNTS RECEIVABLE

At June 30, 2009 and 2008, accounts receivable is reported net of an allowance for uncollectible accounts of $60,629 and $77,788, respectively.

NOTE E - NOTES RECEIVABLE

In May 2008, the Institute's Board of Directors approved an addition to the non-interest bearing promissory note for a line of credit up to $600,000 to the Duval County Research and Development Authority. Payment to the Institute will occur upon the sale of First Coast Technology Park land. At June 30, 2009, no additional funds had been disbursed against the line of credit, and amounts outstanding were $550,000 for both years ended at June 30, 2009 and 2008.

There are no formal repayment terms, therefore, this has been recorded as a non-current asset. In addition, since no maturity date has been established, it is impractical to impute interest on the note.

NOTE F - PENSIONS

All employees of the Institute are eligible to be covered by the State of Florida, Florida Retirement System, which is a cost sharing multiple-employer defined benefit pension plan. Pension benefits vest for employees who have completed at least six years of creditable service. Benefits may be received upon 30 years of service, death or disability, or at retirement age of 62. Reduced benefits may be received prior to age 62 for vested employees with terminated employment. The Institute makes contributions to the plan in accordance with rates determined by Chapter 121 of the Florida Statutes. The retirement plan is funded by employer contributions at a rate of 9.85% of the gross pay for regular employees for 2009 and 2008.

The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information and other required supplementary information. That report may be obtained by writing to the:

State of Florida Division of Retirement
Department of Management Services
P.O. Box 9000
Tallahassee, Florida 32315-9000

Faculty members and A&P employees can also elect to participate in an optional retirement program (ORP), a defined contribution pension plan. This program provides full and immediate vesting of all contributions. The Institute contributes a percentage of earnings and the participants can also contribute up to 10.43% of salary in various investment options. There are no age or length of service requirements to participate in the ORP. Annuity income at retirement is based on the investment value and the type of annuity selected. During the years ended June 30, 2009 and 2008, total pension costs were $171,862 and $177,073, respectively. Such amounts are included in program fees in the accompanying statements of revenues, expenses, and changes in net assets. The Institute's liability for any unfunded pension benefit obligation is limited to the payment of the required contribution at the rates established by law on future payrolls of the Institute. The Institute, at June 30, 2009 and 2008, was current in its payments to the Florida Retirement System.

The Deferred Retirement Optional Program (DROP) is a program under which an eligible member of the Florida Retirement System may elect to participate, deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer. The deferred monthly benefit accrues on behalf of the participant, plus interest compounded monthly for the specified period of the DROP participation. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

NOTE G - RELATED PARTY TRANSACTIONS

1. The University provides, as in-kind contributions to the Institute, support services such as office and classroom space, furnishings and fiscal management at no cost. Annually, the Institute's Board of Directors decides what amount, if any, will be remitted to the University as a contribution for faculty development. The payments to the University were $50,000 for both the years ended June 30, 2009 and 2008, and are included in other expenses on the accompanying financial statements.

2. The Institute makes contributions to the University for equipment purchases, excluding vehicles. The University maintains title to all such equipment purchases with the Institute having use of all equipment without further charges. Contributions to the University for equipment purchases were $28,298 and $23,468 for the years ended June 30, 2009 and 2008, respectively.

3. In December 2006, the Institute's Board of Directors approved up to $1,200,000 in funding to provide support to the University's Brooks College of Health Building addition project. The funds will be used to assist with construction and for a LEED program (Leadership in Energy and Environmental Design). In April 2009, the Institute completed its commitment of payments to the UNF for this project; which was a net of approximately $1,137,000.

4. In May 2007, the Institute's Board of Directors approved up to $1,500,000 in funding to provide support to the University's Student Union Building addition project. The funds will be used to assist with construction of the project.

5. The University provides campus mail, copying, telephone, and other such services to the Institute. Charges for the above services were approximately $70,000 for both the years ended June 30, 2009 and 2008, and are included in printing, postage and telephone in the accompanying financial statements.

NOTE H - RISK MANAGEMENT

The Institute carries a $500,000 general liability insurance policy to reduce the exposure of potential claims associated with selected course activities. The Institute has also purchased a $1,000,000 commercial insurance policy to cover wrongful acts occurring in the normal course of business. The policy requires a $5,000 deductible for each loss. Substantially all other insurable risks, which include automobile, general liability, and workers compensation insurance, are covered under the State of Florida's self insurance fund. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

NOTE I - COMMITMENTS AND CONTINGENCIES

The Institute is involved in litigation matters, which arose in the normal course of business, which in the opinion of management, are expected not to have a materially adverse effect on the Institute's financial statements.

SUPPLEMENTAL INFORMATION

Univisersity of North Florida Training & Services Institute, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2009

Pass through program from Federal Department of Transportation	Federal CFDA Numbers	Pass through entity identifying number	Grant Amount	Federal Expenditures
State and Community Highway Safety Cluster				
State of Florida Department of Transportation	20.600			
(Identifying #591982921-002)				
Share the Road Television PSA Campaign	20.604	157PM-08-14-03	$ 300,000	$ 16,689
DUI Training Classes/Symposium	20.600	AL-08-05-02	575,050	171,755
Drug Evaluation and Classification Program	20.600	AL-08-05-08	313,939	84,286
DUI Training Classes/Symposium	20.600	AL-09-05-02	590,875	299,935
Highway Safety Training Support	20.600	CP-08-04-17	75,000	20,453
Community Traffic Safety Program Support	20.600	CP-09-04-08	136,500	92,181
Highway Safety Training Support	20.600	CP-09-04-11	75,000	34,345
Reduction of Alcohol-Related Motorcycle Crashes	20.605	FM-08-25-01	200,000	104,948
Motorcycle Assessment	20.605	FM-08-25-03	50,000	6,990
Motorcycle Safety Surveys	20.612	K6-08-11-01	77,618	54,704
Technical Advisory Committee on DUI Enforcement	20.601	K8-08-06-11	109,935	17,660
Technical Advisory Committee on DUI Enforcement	20.601	K8-09-06-13	96,558	17,324
Drug Evaluation and Classification Program	20.601	K8-09-06-15	425,350	163,107
Impaired Motorcyclists Safety Campaign	20.601	K8PM-09-16-02	400,000	397,588
Sporting Event Impaired Driving Education Campaign	20.601	K8PM-09-16-03	162,000	27,000
Impaired Driving Sports Advertising Campaign	20.601	K8PM-09-16-04	162,000	69,498
Traffic Records Coordinating Committee Coordinator	20.610	K9-08-18-01	64,071	21,977
Traffic Crash Reporting Form Workshop	20.610	K9-08-18-03	36,890	25,657
Traffic Crash Reporting Form Workshop	20.610	K9-09-18-03	19,810	16,345
FL M/C Safety Coalition & Strategic Plan Revision	20.600	MC-08-10-02	200,000	128,144
Comprehensive Motorcycle Safety Program	20.600	MC-09-10-01	150,000	54,022
Comprehensive Motorcycle Safety Program	20.600	MC-09-10-02	550,000	355,842
Share the Road Radio PSA Campaign	20.600	PM-08-07-05	129,300	67,673
Diversity Outreach During Click It or Ticket	20.600	PM-08-07-06	50,000	-
Motorcycle Safety PSA Campaign	20.600	PM-09-07-02	400,000	397,680
Click It or Ticket Minority Outreach	20.600	PM-09-07-05	50,000	49,950
Pedestrian/Bicycle Support Staff	20.600	PS-08-08-06	68,103	20,899
Pedestrian/Bicycle Support Staff	20.600	PS-09-08-05	69,923	43,305
Police Traffic Training	20.600	PT-08-12-01	733,750	228,696
Police Traffic Training	20.600	PT-09-12-08	300,000	358,445
Traffic Records Coordinating Committee Coordinator	20.600	TR-09-09-02	82,593	42,315
Total Federal Expenditures				$ 3,389,413

Reconciled to cash received from Department of Transportation during the year:	
Total amounts expended	$ 3,389,413
Less net change in grants receivable in financial statements	(133,529)
Total cash received from Department of Transportation	$ 3,255,884

See accompanying note to schedule of expenditures of federal awards.

The University of North Florida Training and Services Institute, Inc.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2009

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Institute and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

The University of North Florida Training and Services Institute, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued:	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
3. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
2. Type of auditors' report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)?	No
4. Identification of major federal award programs:	

CFDA Number	Name of Federal Program
20.6	State and Community Highway Safety Cluster

5. Dollar threshold used to distinguish between type A and type B programs:	$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.

BERMAN HOPKINS WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

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*

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The Board of Directors
The University of North Florida Training
and Services Institute, Inc.

We have audited the financial statements of University of North Florida Training and Services Institute, Inc. (the Institute) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 9, 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 Institute'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 Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 of control deficiencies, that adversely affects the organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the Institute'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 Institute'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 Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 9, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

BERMAN HOPKINS WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
The University of North Florida Training
and Services Institute, Inc.

Compliance

We have audited the compliance of the University of North Florida Training and Services Institute, Inc. (the Institute) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Institute'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. Our audit does not provide a legal determination of the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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Internal Control over Compliance

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Institute's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 9, 2009
Melbourne, Florida

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The Board of Directors
The University of North Florida
Training and Services Institute, Inc.

We have audited the financial statements of The University of North Florida Training and Services Institute, Inc. (the Institute) as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 9, 2009.

We conducted our audit 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 OMB Circular A-133, Audits of States, Local governments, and Non-Profit Organizations. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated September 9, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement or State project amounts that is less than material but more than inconsequential. In addition, for matters that are inconsequential to the determination of financial statement or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

1. violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and
2. control deficiencies that are not significant deficiencies, including, but not limited to:
   a. improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements);
   b. failures to properly record financial transactions; and
   c. inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed the following matters required to be disclosed:
Prior year Findings and Recommendations

08-01 Enhanced Procedures for Review of Bank Statements and Cancelled Checks

Although the size of the Institution's office staff is adequate for separation of duties, we believe certain steps could be taken to enhance the operations account bank reconciliation procedures.

We suggest that the Treasurer/Vice President of Administration and Finance receive and review the unopened bank statements and canceled checks before forwarding them to the Accounting Department for the senior accountant to prepare the bank reconciliation. The bank statements and canceled checks should be reviewed for any unusual items or endorsements. After the review is complete, the statements should be initialed and dated to provide support that a review was completed.

Management's Response

We agree with the recommendation above and will implement during the current fiscal year.

As of June 30, 2009, this issue has been resolved.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Florida Auditor General, and the federal and state regulatory agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

September 9, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP