

**EDUCATIONAL FOUNDATION OF
LAKE COUNTY, INC.**

A Component Unit of the District
School Board of Lake County, Florida

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS THEREON

For the fiscal year ended June 30, 2017

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the annual financial report of the Educational Foundation of Lake County, Inc. (the "Foundation") presents management's discussion and analysis of the Foundation's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the Foundation's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- As shown on the Statement of Net Position, the Foundation reported a total net position balance of \$4,364,385 at June 30, 2017.
- For the fiscal year ended June 30, 2017, the Foundation's expenses exceeded revenues as shown on the Foundation's Statement of Activities by \$50,676.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Foundation:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Foundation's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Foundation, reporting the Foundation's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general Foundation services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards* and various reports required by the *Florida Auditor General*.

Government-wide Financial Statements

The government-wide financial statements report information about the Foundation as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Foundation's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Foundation's net position and how it has changed. Net position - the difference between the Foundation's assets and liabilities - is one way to measure the Foundation's financial health or position. Over time, increases or decreases in the Foundation's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Foundation are generally divided into three categories:

- *Governmental activities* - the Foundation's basic services are included here, such as programs and the Foundation's administration. Funds received through contributions, state grants and proceeds from special events, finance most of these activities.
- *Business-type activities* - in certain instances, the Foundation may charge fees to help it cover the costs of certain services it provides. The Foundation currently has no business-type activities.
- *Component units* - there currently are no component units included within the reporting entity of the Foundation.

Fund Financial Statements

The fund financial statements provide more detailed information about the Foundation's most significant funds, not the Foundation as a whole. A fund is a self-balancing set of accounts which the Foundation uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the Foundation may establish other funds to control and manage money for particular purposes, such as for federal grants.

The Foundation utilizes a governmental fund:

- *Governmental funds* - the Foundation's basic services are included in a governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Foundation's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and governmental fund financial statements.

Financial Analysis of the Foundation's Funds

As the Foundation completed the fiscal year, its total governmental funds reported a fund balance of \$4,318,762. Management will continue to emphasize the monitoring of expenses to increase net position.

General Fund Budgetary Highlights

The general fund budget for the fiscal year ended June 30, 2017, was developed based on the Foundation's anticipated revenues for the year. Final amended appropriations for the general fund were \$1,172,925 and actual expenditures were \$1,172,600.

GOVERNMENT WIDE FINANCIAL ANALYSIS

The Statement of Net Position presents the Foundation's assets less its liabilities at year end. The difference between these assets and liabilities is reported as net position. The following is a summary of the Foundation's net position as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
ASSETS			
Current Assets	\$ 1,604,557	1,715,880	\$ (111,323)
Capital Assets, net of accumulated depreciation	63,861	21,225	42,636
Noncurrent Assets	<u>2,843,838</u>	<u>2,778,285</u>	<u>65,553</u>
Total Assets	<u>4,512,256</u>	<u>4,515,390</u>	<u>(3,134)</u>
LIABILITIES			
Current Liabilities	<u>147,871</u>	<u>100,329</u>	<u>47,542</u>
NET POSITION			
Net position:			
Net Investment in Capital Assets	63,861	21,225	42,636
Restricted For:			
Scholarships, Grants and Other	3,031,264	3,141,492	(110,228)
Other Donor Restrictions	522,948	466,454	56,494
Lake Tech	24,500	24,500	-
Unrestricted	<u>721,812</u>	<u>761,390</u>	<u>(39,578)</u>
Total Net Position	<u>\$ 4,364,385</u>	<u>\$ 4,415,061</u>	<u>\$ 50,676</u>

Current assets consist of cash, receivables, accrued interest, and the current portion of investments and beneficial interests held by others. Current liabilities consist of accrued salaries, compensated absences, and payroll taxes payable.

The Statement of Activities presents information showing how the Foundation's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The key elements of the changes in Foundation's net position for the fiscal year June 30, 2017 are as follows:

Revenues:	<u>2017</u>	<u>2016</u>	<u>Change</u>
Contributions	\$ 55,796	\$ 58,637	\$ (2,841)
Direct Operating Support – LCSD, In Kind	149,557	114,883	34,674
Inkind – Non Governmental	342,897	1,024,790	(681,893)
Grants	112,026	164,355	(52,329)
Special Event Revenue	468,029	510,396	(42,367)
State and Local Allocations	324,695	176,847	147,848
Other Revenues	517,974	538,777	(20,803)
Interest and Dividends	2,499	10,220	(7,721)
Net Realized and Unrealized Gains and Losses on Investments	<u>15,251</u>	<u>6,234</u>	<u>9,017</u>
Total Revenue	<u>\$ 1,988,724</u>	<u>\$ 2,605,139</u>	<u>\$ (616,415)</u>

Expenses:	<u>2017</u>	<u>2016</u>	<u>Change</u>
Special Events	\$ 202,308	\$ 324,674	\$ (122,366)
Teacher Support	63,833	106,261	(42,428)
Take Stock In Children	804,339	609,315	195,024
Student Support	947,913	1,154,611	(206,698)
Personnel	11,625	13,458	(1,833)
Administration	<u>9,382</u>	<u>10,094</u>	<u>(712)</u>
Total Expenses	<u>2,039,400</u>	<u>2,218,413</u>	<u>(179,013)</u>
Change in Position	<u>\$ (50,676)</u>	<u>\$ 386,726</u>	<u>\$ 437,402</u>

CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Trailer	\$ 19,833	\$ -	\$ -	\$ 19,833
Vehicles	4,600	-	-	4,600
Equipment	-	56,000	-	56,000
Accumulated Depreciation	<u>(3,208)</u>	<u>(13,364)</u>	<u>-</u>	<u>(16,572)</u>
Total Capital Assets, net	<u>\$ 21,225</u>	<u>\$ 42,636</u>	<u>\$ -</u>	<u>\$ 63,861</u>

ECONOMIC FACTORS

The average unemployment rate for the State of Florida was 4.1% and 4.4% for the nation as of June 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Foundation's finances. Questions concerning any of the information provide in this report or requests for additional information should be addressed to the Educational Foundation of Lake County, Inc., 2045 Pruitt St., Leesburg, Florida 34748, (352) 326-1265.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Educational Foundation of Lake County, Inc.,
Leesburg, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Foundation of Lake County, Inc. (the Foundation), a component unit of the District School Board of Lake County, Florida as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Foundation as of June 30, 2017, and the respective changes in financial position 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 management's discussion and analysis and budgetary comparison information 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 November 7, 2017, on our consideration of the Foundation'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 in considering the Foundation's internal control over financial reporting and compliance.

*Binney Accounting and
Assurance Services, PLLC*

Binney Accounting and Assurance Services, PLLC

Clermont, FL

November 7, 2017

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 235,821
Cash and Cash Equivalents - Restricted	444,736
Investments	214,535
Investments - Restricted	40,294
Accounts Receivable - Restricted	37,918
Beneficial Interest In Assets Held By Others - Restricted	396,738
Inventory	<u>234,515</u>
<u>Total Current Assets</u>	<u>1,604,557</u>
<u>Noncurrent Assets</u>	
Capital Assets, net of Accumulated Depreciation	63,861
Beneficial Interest In Assets Held By Others - Restricted	2,634,526
Investments	184,812
Investments - Restricted	<u>24,500</u>
<u>Total Noncurrent Assets</u>	<u>2,907,699</u>
<u>Total Assets</u>	<u>\$ 4,512,256</u>
LIABILITIES AND NET POSITION	
<u>Current Liabilities</u>	
Current Payables and Accrued Liabilities	<u>\$ 147,871</u>
<u>Total Current Liabilities</u>	147,871
<u>Net Position:</u>	
Net Investment in Capital Assets	63,861
Restricted for:	
Scholarships	3,031,264
Other Donor Restrictions	522,948
Lake Tech	24,500
Unrestricted	<u>721,812</u>
<u>Total Net Position</u>	<u>\$ 4,364,385</u>

The accompanying notes are an integral part of this financial statement.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

			Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating Grants and Revenues	Governmental Activities
Governmental Activities:			
Teacher Support	\$ 63,833	\$ 80,588	\$ 16,755
Special Events	202,308	392,468	190,160
Student Support	947,913	733,639	(214,274)
Take Stock In Children	804,339	526,118	(278,221)
Personnel	11,625	109,798	98,173
Administrative	9,382	-	(9,382)
Total Government Activities	<u>\$ 2,039,400</u>	<u>\$ 1,842,611</u>	<u>\$ (196,789)</u>
General revenues:			
	Contributions and other revenues		146,113
	Total revenues		<u>146,113</u>
	Change in net assets		(50,676)
	Net position - July 1, 2016		4,415,061
	Net position - June 30, 2017		<u>\$ 4,364,385</u>

The accompanying notes are an integral part of this financial statement.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

BALANCE SHEET - GENERAL FUND
JUNE 30, 2017

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 235,821
Cash and Cash Equivalents - Restricted	444,736
Investments	214,535
Investments - Restricted	40,294
Accounts Receivable - Restricted	37,918
Beneficial Interest In Assets Held By Others - Restricted	396,738
Inventory	234,515

<u>Total Current Assets</u>	1,604,557
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Noncurrent Assets

Beneficial Interest In Assets Held By Others - Restricted	2,634,526
Investments	184,812
Investments - Restricted	24,500

<u>Total Noncurrent Assets</u>	2,843,838
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<u>Total Assets</u>	<u>\$ 4,448,395</u>
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LIABILITIES AND FUND BALANCES

Current Liabilities

Current Payables and Accrued Liabilities	\$ 129,633
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<u>Total Current Liabilities</u>	129,633
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Fund Balances:

Nonspendable - Inventories	234,515
Nonspendable - Permanent Funds	24,500
Restricted - Scholarships	3,031,264
Restricted - Other Donor Restricted	522,948
Unassigned	505,535

<u>Total Fund Balances</u>	4,318,762
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<u>Total Liabilities and Fund Balances</u>	<u>\$ 4,448,395</u>
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The accompanying notes are an integral part of this financial statement.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Fund balances - total general fund	\$ 4,318,762
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$80,433 and the accumulated depreciation is \$16,572.	63,861
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Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as a liability in the governmental fund.	<u>(18,238)</u>
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Total net position - governmental activities	<u><u>\$ 4,364,385</u></u>
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The accompanying notes are an integral part of this financial statement.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenues	
Operating Revenues:	
Contributions	\$ 55,796
Direct Operating Support -LCSD, In Kind	149,557
Inkind - Nongovernmental	342,897
Grants	112,026
Scholarships	159,556
Special Events Revenue	468,029
State and Local Allocations	165,139
Other revenues	517,974
Total Operating Revenues	<u>1,970,974</u>
Expenditures:	
Teacher Support	63,833
Special Events	202,308
Student Support	947,913
Take Stock In Children	804,339
Personnel	4,476
Administrative	52,018
Total Operating Expenditures	<u>2,074,887</u>
Operating Loss	<u>(103,913)</u>
Non-operating Revenues	
Net realized and unrealized gains/(losses) on investments	15,251
Interest and Dividends	2,499
Total Non-operating Revenues	<u>17,750</u>
Decrease in Fund Balances	(86,163)
Fund Balances, at July 1, 2016	<u>4,404,925</u>
Fund Balances, at June 30, 2017	<u>\$ 4,318,762</u>

The accompanying notes are an integral part of this financial statement.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - General Fund	\$ (86,163)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$56,000 exceed depreciation expense of \$13,364 in the current period.	42,636
Change in compensated absences	<u>(7,149)</u>
Change in net position - Governmental Activities	<u>\$ (50,676)</u>

The accompanying notes are integral to this financial statement.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2017

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ASSETS	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 23,139
<u>Total Current Assets</u>	<u>23,139</u>
 <u>Total Assets</u>	 <u>\$ 23,139</u>
LIABILITIES AND NET POSITION	
<u>Current Liabilities</u>	
Due to Other Organizations	\$ 23,139
<u>Total Current Liabilities</u>	<u>23,139</u>
 <u>Net Position:</u>	
Held on Behalf of Other Organizations	<u>-</u>
<u>Total Net Position</u>	<u>-</u>
 <u>Total Liabilities and Net Position</u>	 <u>\$ 23,139</u>

The accompanying notes are integral to this financial statement.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies of the Educational Foundation of Lake County, Inc. (the Foundation), which affect significant elements of the financial statements:

A. *Nature of Activities*

The Foundation, is a nonprofit organization, serving the citizens of Lake County, Florida, by providing funding and services to support public education. The Foundation's primary support is received from contributions from individual and corporate donors. As of August, 2006, the Foundation assumed fiscal control of the Lake and Sumter County operations of the Take Stock in Children program, a mentoring program serving at risk students.

The Foundation is a direct-support organization (DSO) of the Lake County School Board. As defined by Section 1001.453 of Florida Statutes, a DSO is an organization which is approved by the district school board, is a non-profit Florida corporation, and is organized and operated exclusively to receive, hold, invest, and to make expenditures to or for the benefit of the Lake County School District.

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Foundation considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

C. *Cash and Cash Equivalents*

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

D. *Inventories*

Inventories consist of school supplies and other donated items, located at the three Foundation AppleMart locations and the Foundation's warehouse, which were donated throughout the fiscal year. Inventories are stated at retail value, as determined on a first-in, first-out basis. Inventory is accounted for under the consumption basis.

E. *Fiduciary Funds*

Fiduciary Funds are used to account for assets held by the Foundation in a trustee or agency capacity. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. The agency fund is used to account for assets held on behalf of another organization.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies - continued

F. *Operating Activities*

Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities, which are in support of the District's programs. Operating activities relate to the Foundation's principal functions, which is to receive, hold and invest charitable contributions for the District. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. *Direct Operating Support*

Donated facilities from the District consist of office space. The District also provides administrative services and other institutional support.

H. *Promises To Give*

Statement of Financial Accounting Standards Number 958-065 has been implemented by the Foundation. The statement requires not-for-profit organizations to recognize irrevocable unconditional promises to give as revenue in the period the promise is made at fair value. Promises to give that are collectible after one year are treated as temporarily restricted net assets. There were no promises to give at June 30, 2017.

I. *Use of Estimates*

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

J. *Income Taxes*

The Foundation was organized as an organization exempt from income taxation under Section 501(a) and Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements. The Foundation is classified as a publicly supported organization rather than as a private foundation.

The Foundation assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the Foundation believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the Foundation's financial statements, as the Foundation believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold. With few exceptions, the Foundation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2013.

K. *Investments*

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statement of revenues, expenditures, and changes in net fund balance as non-operating revenues. The Foundation's investment policy and Section 215.47 Florida Statutes allow investing in bonds, notes, commercial paper and equities.

L. *Revenue Recognition*

Contributions are recognized as increases in net assets when received or when pledged unconditionally.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies - continued

M. *Capital assets and depreciation*

Expenditures for capital assets acquired for general Foundation purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets and was \$13,364 at June 30, 2017.

N. *Fund Accounting*

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of non-spendable and spendable resources. Spendable resources are to be shown as Restricted, Committed, Assigned, and Unassigned as considered appropriate in the Foundation's circumstances.

O. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Foundation has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element represents an acquisition of net position to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Foundation has no items that qualify for reporting in this category.

2. Concentrations of Credit Risk

The Foundation is supported by contributions from the public. In the current year, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the long term, but management does not deem this a significant risk in the near term..

The Florida Security for Depositors Act identifies those financial institutions that have deposited the required collateral in the name of the treasurer of the State of Florida as qualified public depositories. The Foundation's deposits are with qualified public depositories. Therefore, all Foundation cash and cash equivalents deposits are entirely insured by FDIC or Florida's Multiple Financial Institution Collateral Pool.

3. Retirement Benefits

The Foundation established a SIMPLE IRA Plan for the benefit of its employee. The plan allows employees to contribute an amount not to exceed earned income or \$12,000 (14,500 if age 50 or older) for fiscal year ended June 30, 2017. The employer contribution made in the current fiscal year was \$7,600.

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4. Investments

Accounting principles generally accepted in the United States ("GAAP") define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 - unadjusted quoted market prices in active markets for identical items

Level 2 - other significant observable inputs (such as quoted prices for similar items)

Level 3 - significant unobservable inputs

Estimated fair value of certain assets measured on a recurring basis at June 30, 2017 is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposits	\$ 279,329	\$ 279,329	\$ -	\$ -
US Equities	184,812	184,812	-	-
	<u>\$ 464,141</u>	<u>\$ 464,141</u>	<u>\$ -</u>	<u>\$ -</u>

5. Restricted Net Position - Nonexpendable

Student Scholarships - Lake Tech	\$ 24,500
	<u>\$ 24,500</u>

6. Restricted Net Position - Expendable

Student Scholarships	\$ 3,031,264
Take Stock in Children	457,009
Other Restricted	65,939
	<u>\$ 3,554,212</u>

7. Net Position Released from Restrictions

Net position was released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by donors during the fiscal year ended June 30, 2017.

Purpose Restrictions accomplished:

Student Scholarships	\$ 404,452
Other	114,919
Take Stock in Children	339,306
	<u>\$ 858,677</u>

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. Accounts Receivable

The balance of accounts receivable at June 30, 2017 was determined as follows:

Take Stock In Children - restricted	\$ 37,918
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9. Subsequent Events

In accordance with GASB Codification Section 2250.106, the Foundation has evaluated subsequent events and transactions for potential recognition or disclosure through November 7, 2017, which is the date the financial statements were available to be issued.

10. Beneficial Interest In Assets Held By Others

The Foundation's beneficial interest in assets at June 30, 2017 consists of \$3,031,264 held by the Florida Prepaid College Foundation, Inc. The amounts held by the Florida Prepaid College Foundation, Inc. consist of funds contributed by the Foundation as part of the Take Stock in Children program and prepaid scholarships purchased from other not for profit organizations. Take Stock In Children contributions are matched by the State of Florida, and recorded as a contribution on the statement of revenues, expenses and changes in net assets at the time of contribution. The funds are to be used for college scholarships for selected individuals graduating from high schools in Lake County. As the scholarships are awarded, the expenditures are recorded by the Foundation. The funds held by the Florida Prepaid College Foundation, Inc. can only be utilized for scholarships.

11. <u>Capital Assets</u>	Beginning Balance	Additions	Disposals	Ending Balance
Trailer	\$ 19,833	\$ -	\$ -	\$ 19,833
Vehicles	4,600	-		4,600
Equipment	-	56,000	-	56,000
Accumulated Depreciation	(3,208)	(13,364)	-	(16,572)
Total Capital Assets, net	\$ 21,225	\$ 42,636	\$ -	\$ 63,861

REQUIRED SUPPLEMENTARY INFORMATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GENERAL FUND
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2017

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.
(A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA)
REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary	Final Budget-
			Basis	Positive
				(Negative)
REVENUES				
Contributions	\$ 74,000	\$ 74,000	\$ 55,796	\$ (18,204)
Direct Operating Support -LCSD, In Kind	-	-	149,557	149,557
Inkind - Nongovernmental	-	-	342,897	342,897
Grants	180,000	180,000	112,026	(67,974)
Scholarships	168,500	168,500	159,556	
Special Events Revenue	480,000	480,000	468,029	(11,971)
State and Local Allocations	145,000	145,000	165,139	20,139
Other revenues	125,425	125,425	535,724	410,299
Total revenues	<u>1,172,925</u>	<u>1,172,925</u>	<u>1,988,724</u>	<u>815,799</u>
EXPENDITURES				
Current:				
Teacher Support	83,200	83,200	63,833	19,367
Special Events	237,500	237,500	202,308	35,192
Student Support	257,500	257,500	947,913	(690,413)
Take Stock In Children	372,000	372,000	804,339	(432,339)
Personnel	171,000	171,000	4,476	166,524
Administrative	51,400	51,400	52,018	(618)
Total expenditures	<u>1,172,600</u>	<u>1,172,600</u>	<u>2,074,887</u>	<u>(902,287)</u>
Net change in fund balance	<u>325</u>	<u>325</u>	<u>(86,163)</u>	<u>(86,488)</u>
Fund balances - July 1, 2016	<u>3,676,376</u>	<u>3,676,376</u>	<u>4,404,925</u>	<u>-</u>
Fund balances - June 30, 2017	<u>\$ 3,676,701</u>	<u>\$ 3,676,701</u>	<u>\$ 4,318,762</u>	<u>\$ (86,488)</u>

The accompanying notes to the financial statements are an integral part of this statement

**INDEPENDENT AUDITOR'S 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***

To the Board of Directors of the Educational Foundation of Lake County, Inc.,
Leesburg, 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 the of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Foundation of Lake County, Inc., (the "Foundation"), a component unit of the District School Board of Lake County, FL as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 entity'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 the Foundation'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.

*Binney Accounting and
Assurance Services, PLLC*

Binney Accounting and Assurance Services, PLLC

Clermont, FL

November 7, 2017



4327 South Hwy 27, Ste 331, Clermont, FL 34711

phone 407-924-5195

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of the Educational Foundation of Lake County, Inc.
Leesburg, Florida

We have examined the Educational Foundation of Lake County, Inc.'s (the "Foundation") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies* during the fiscal year ended June 30, 2017. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination of the Foundation's compliance with the specified requirements.

In our opinion, the Foundation complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2017.

This report is intended solely for the information and use of the Foundation and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

*Binney Accounting and
Assurance Services, PLLC*

Binney Accounting and Assurance Services, PLLC

Clermont, Florida

November 7, 2017



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Board of Directors of the Educational Foundation of Lake County, Inc.,
Leesburg, Florida

Report on Financial Statements

We have audited the financial statements of the Educational Foundation of Lake County, Inc. a component unit of the District School Board of Lake County, FL (the "Foundation") as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 7, 2017.

Auditor's Responsibility

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; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's 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*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated November 7, 2017, should be considered in conjunction with this management letter.

Additional Matters

Section 10.804(1)(f)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Foundation Board of Directors and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Binney Accounting and
Assurance Services, PLLC*

Binney Accounting and Assurance Services, PLLC

Clermont, Florida

November 7, 2017