

**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, 2016**

EDUCATIONAL FOUNDATION OF LAKE COUNTY, INC.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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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, 2016. 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 \$4,415,061 at June 30, 2016.
- For the fiscal year ended June 30, 2016, the Foundation's expenses exceeded revenues as shown on the Foundation's Statement of Activities by \$386,726.

### 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*.

### 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 \$4,404,925. Management will continue to emphasize the monitoring of expenses to increase net position through June 30, 2016.

### **General Fund Budgetary Highlights**

The general fund budget for the fiscal year ended June 30, 2016, was developed based on the Foundation's anticipated revenues for the year. Final amended appropriations for the general fund were \$1,200,600 and actual expenditures were \$2,218,413.

## 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, 2016 and 2014:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>ASSETS</b>			
Current Assets	\$ 1,715,880	1,010,837	\$ 705,043
Capital Assets, net of accumulated depreciation	21,225	6,057	15,168
Noncurrent Assets	<u>2,778,285</u>	<u>3,133,005</u>	<u>(354,720)</u>
Total Assets	<u>4,515,390</u>	<u>4,149,899</u>	<u>365,491</u>
<b>LIABILITIES</b>			
Current Liabilities	<u>100,329</u>	<u>121,564</u>	<u>(21,235)</u>
<b>NET POSITION</b>			
Net position:			
Net Investment in Capital Assets	21,225	6,057	15,168
Restricted For:			
Scholarships, Grants and Other	3,141,492	3,110,240	31,252
Other Donor Restrictions	466,454	524,367	(57,913)
Lake Tech	24,500	24,500	-
Unrestricted	<u>761,390</u>	<u>363,171</u>	<u>398,219</u>
Total Net Position	<u>\$ 4,415,061</u>	<u>\$ 4,028,335</u>	<u>\$ 386,726</u>

Current assets consists 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, 2016 are as follows:

<b>Revenues:</b>	<u>2016</u>	<u>2015</u>	<u>Change</u>
Contributions	\$ 58,637	\$ 87,697	\$ 29,060
Direct Operating Support – LCSD, In Kind	114,883	114,883	-
Inkind – Non Governmental	1,024,790	-	1,024,790
Grants	164,355	360,648	(494,465)
Special Event Revenue	510,396	429,340	43,926
State and Local Allocations	176,847	511,948	137,109
Other Revenues	538,777	36,442	24,765
Interest and Dividends	10,220	11,496	7,224
Net Realized and Unrealized Gains and Losses on Investments	<u>6,234</u>	<u>98,562</u>	<u>79,234</u>
Total Revenue	<u>\$ 2,605,139</u>	<u>\$ 1,651,016</u>	<u>\$ 954,123</u>

<b>Expenses:</b>	<u>2016</u>	<u>2015</u>	<u>Change</u>
Engage LCS	\$ -	\$ 215,060	\$ (519,940)
Special Events	324,674	295,435	34,602
Teacher Support	236,781	236,781	27,732
Take Stock In Children	598,419	598,419	335,962
Student Support	1,154,611	249,983	29,278
Personnel	20,716	22,726	2,662
Administration	<u>25,263</u>	<u>34,090</u>	<u>3,994</u>
Total Expenses	<u>2,240,840</u>	<u>1,652,494</u>	<u>(85,710)</u>
Change in Position	<u>\$ (1,478)</u>	<u>\$ (1,478)</u>	<u>\$ 271,581</u>

#### **CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Trailer	\$ 7,100	\$ 17,333	\$ -	\$ 24,433
Accumulated Depreciation	<u>(1,043)</u>	<u>(2,164)</u>	<u>-</u>	<u>(3,208)</u>
Total Capital Assets, net	<u>\$ 6,057</u>	<u>\$ 15,169</u>	<u>\$ -</u>	<u>\$ 21,126</u>

#### **ECONOMIC FACTORS**

- The average unemployment rate for the State of Florida was 4.7% and 4.9% for the nation as of June 2016.
- Inflation nationally as indicated by the consumer price index was .1%.

*Requests for Information* - This financial report is designed to provide a general overview of the Foundation's finances. Questions concerning any of the information provided 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.



Sines Blakeslee Madyda

certified public accountants, p.a.

## INDEPENDENT AUDITORS' REPORT

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

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, 2016, 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, 2016, 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.



Sines Blakeslee Madyda  
Certified Public Accountants, P.A.  
September 27, 2016



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

STATEMENT OF NET POSITION  
JUNE 30, 2016

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ASSETS	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 230,862
Cash and Cash Equivalents - Restricted	389,406
Investments	221,391
Investments - Restricted	39,984
Accounts Receivable	5,390
Accounts Receivable - Restricted	37,064
Beneficial Interest In Assets Held By Others - Restricted	557,268
Inventory	234,515
	<hr/>
<u>Total Current Assets</u>	1,715,880
<u>Noncurrent Assets</u>	
Capital Assets, net of Accumulated Depreciation	21,225
Beneficial Interest In Assets Held By Others - Restricted	2,584,224
Investments	169,561
Investments - Restricted	24,500
	<hr/>
<u>Total Noncurrent Assets</u>	2,799,510
	<hr/>
<u>Total Assets</u>	\$ 4,515,390
	<hr/> <hr/>
LIABILITIES AND NET POSITION	
<u>Current Liabilities</u>	
Current Payables and Accrued Liabilities	\$ 100,329
	<hr/>
<u>Total Current Liabilities</u>	100,329
<u>Net Position:</u>	
Net Investment in Capital Assets	21,225
Restricted for:	
Scholarships	3,141,492
Other Donor Restrictions	466,454
Lake Tech	24,500
Unrestricted	761,390
	<hr/>
<u>Total Net Position</u>	\$ 4,415,061
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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 ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Operating Grants and Revenues	Net (Expense) Revenue and Changes in Net Position
			Governmental Activities
Governmental Activities:			
Teacher Support	\$ 106,261	\$ 36,172	\$ (70,089)
Special Events	324,674	510,396	185,722
Student Support	1,154,611	1,364,121	209,510
Take Stock In Children	609,315	587,281	(22,034)
Personnel	13,458	32,199	18,741
Administrative	10,094	-	(10,094)
Total Government Activities	<u>\$ 2,218,413</u>	<u>\$ 2,530,169</u>	<u>\$ 311,756</u>
General revenues:			
			74,970
			<u>74,970</u>
			386,726
			<u>4,028,335</u>
			<u>\$ 4,415,061</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, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 230,862
Cash and Cash Equivalents - Restricted	389,406
Investments	221,391
Investments - Restricted	39,984
Accounts Receivable	5,390
Accounts Receivable - Restricted	37,064
Beneficial Interest In Assets Held By Others - Restricted	557,268
Inventory	234,515

<u>Total Current Assets</u>	1,715,880
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Noncurrent Assets

Beneficial Interest In Assets Held By Others - Restricted	2,584,224
Investments	169,561
Investments - Restricted	24,500

<u>Total Noncurrent Assets</u>	2,778,285
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<u>Total Assets</u>	\$ 4,494,165
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LIABILITIES AND FUND BALANCES

Current Liabilities

Current Payables and Accrued Liabilities	\$ 89,240
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<u>Total Current Liabilities</u>	89,240
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Fund Balances:

Nonspendable - Inventories	234,515
Nonspendable - Permanent Funds	24,500
Restricted - Scholarships	3,141,492
Restricted - Other Donor Restricted	466,454
Unassigned	537,964

<u>Total Fund Balances</u>	4,404,925
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<u>Total Liabilities and Fund Balances</u>	\$ 4,494,165
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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, 2016

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<b>Fund balances - total general fund</b>	<b>\$ 4,404,925</b>
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 \$24,433 and the accumulated depreciation is \$3,207.	21,226
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>(11,090)</u>
<b>Total net position - governmental activities</b>	<b><u>\$ 4,415,061</u></b>

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, 2016

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Revenues	
Operating Revenues:	
Contributions	\$ 58,637
Direct Operating Support -LCSD, In Kind	114,882
Inkind - Nongovernmental	1,024,791
Grants	164,355
Special Events Revenue	510,396
State and Local Allocations	176,847
Other revenues	538,777
Total Operating Revenues	<u>2,588,685</u>
Expenditures:	
Teacher Support	106,261
Special Events	324,674
Student Support	1,154,611
Take Stock In Children	609,315
Personnel	20,716
Administrative	25,263
Total Operating Expenditures	<u>2,240,840</u>
Operating Income	<u>347,845</u>
Non-operating Revenues	
Net realized and unrealized gains/(losses) on investments	6,234
Interest and Dividends	10,220
Total Non-operating Revenues	<u>16,454</u>
Increase in Fund Balances	364,299
Fund Balances, at July 1, 2015	<u>4,040,626</u>
Fund Balances, at June 30, 2016	<u>\$ 4,404,925</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, 2016

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

<b>Net change in fund balances - General Fund</b>	<b>\$ 364,299</b>
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 \$17,333 exceed depreciation expense of \$2,164 in the current period.	15,169
Change in compensated absences	<u>7,258</u>
<b>Change in net position - Governmental Activities</b>	<b><u><u>\$ 386,726</u></u></b>

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, 2016

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ASSETS	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 18,122
<u>Total Current Assets</u>	<u>18,122</u>
<u>Total Assets</u>	<u>\$ 18,122</u>
LIABILITIES AND NET POSITION	
<u>Current Liabilities</u>	
Due to Other Organizations	\$ 18,122
<u>Total Current Liabilities</u>	18,122
<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>\$ 18,122</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, 2016

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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, 2016

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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 116, "*Accounting for Contributions Received and Contributions Made*", 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, 2016.

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 2012.

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, 2016

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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 \$2,164 at June 30, 2016.

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, 2016. 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, 2016

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, 2016 is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposits	\$ 285,875	\$ 285,875	\$ -	\$ -
US Equities	169,561	169,561	-	-
	<u>\$ 455,436</u>	<u>\$ 455,436</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	\$ 3,141,492
Take Stock in Children	352,009
Other Restricted	114,445
	<u>\$ 3,607,946</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, 2016.

Purpose Restrictions accomplished:	
Student Scholarships	\$ 310,938
Other	15,500
Take Stock in Children	521,294
	<u>\$ 847,732</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, 2016

8. Accounts Receivable

The balance of accounts receivable at June 30, 2016 was determined as follows:

Take Stock In Children - restricted	\$ 37,064
Accounts Receivable - Operating	\$ 5,390

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 September 27, 2016, 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, 2016 consists of \$3,141,492 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	\$ 2,500	\$ 17,333	\$ -	\$ 19,833
Vehicles	4,600	-		4,600
Accumulated Depreciation	(1,044)	(2,164)	-	(3,208)
Total Capital Assets, net	\$ 6,056	\$ 15,169	\$ -	\$ 21,225

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**For the Fiscal Year Ended June 30, 2016**

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary Basis	Final Budget-Positive (Negative)
<b>REVENUES</b>				
Contributions	\$ 50,000	\$ 50,000	\$ 58,637	\$ 8,637
Direct Operating Support -LCSD, In Kind	-	-	114,882	114,882
Inkind - Nongovernmental	-	-	1,024,791	1,024,791
Grants	196,000	196,000	164,355	(31,645)
Special Events Revenue	458,600	458,600	510,396	51,796
State and Local Allocations	331,200	331,200	176,847	(154,353)
Other revenues	157,150	157,150	555,231	398,081
Total revenues	<u>1,192,950</u>	<u>1,192,950</u>	<u>2,605,139</u>	<u>1,412,189</u>
<b>EXPENDITURES</b>				
Current:				
Teacher Support	73,500	73,500	106,261	(32,761)
Special Events	260,000	260,000	324,674	(64,674)
Student Support	282,500	282,500	1,154,611	(872,111)
Take Stock In Children	357,300	357,300	609,315	(252,015)
Personnel	177,400	177,400	20,716	156,684
Administrative	49,900	49,900	25,263	24,637
Total expenditures	<u>1,200,600</u>	<u>1,200,600</u>	<u>2,240,840</u>	<u>(1,040,240)</u>
Net change in fund balance	<u>(7,650)</u>	<u>(7,650)</u>	<u>364,299</u>	<u>371,949</u>
Fund balances - July 1, 2015	<u>3,684,026</u>	<u>3,684,026</u>	<u>4,040,626</u>	<u>-</u>
Fund balances - June 30, 2016	<u>\$ 3,676,376</u>	<u>\$ 3,676,376</u>	<u>\$ 4,404,925</u>	<u>\$ 371,949</u>

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



Sines Blakeslee Madyda

certified public accountants, p.a.

**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 Educational Foundation of Lake County, Inc., (the "Foundation"), a component unit of the District Foundation Board of Lake County, FL which comprise the statement of net position as of June 30, 2016, and the related statements of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2016.

*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.



Certified Public Accountants, P.A.  
September 27, 2016