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, 2018

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, 2018. 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 $4,452,558 at June 30, 2018.

- For the fiscal year ended June 30, 2018, the Foundation's revenues exceeded expenses as shown on the Foundation's Statement of Activities by $88,173.

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 $4,422,403. 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, 2018, was developed based on the Foundation's anticipated revenues for the year. Final amended appropriations for the general fund were $1,317,732 and actual expenditures were $1,620,097.

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, 2018 and 2017:

	2018	2017	Change
ASSETS			
Current Assets	$ 1,656,338	1,604,557	$ 51,781
Capital Assets, net of accumulated depreciation	50,556	63,861	(13,305)
Noncurrent Assets	2,881,788	2,843,838	37,950
Total Assets	4,588,682	4,512,256	76,426
LIABILITIES			
Current Liabilities	136,124	147,871	(11,747)
NET POSITION			
Net position:			
Net Investment in Capital Assets	50,556	63,861	(13,305)
Restricted For:			
Scholarships, Grants and Other	2,947,722	3,031,264	(83,542)
Other Donor Restrictions	591,784	522,948	68,836
Lake Tech	24,500	24,500	-
Unrestricted	837,996	721,812	116,184
Total Net Position	$ 4,452,558	$ 4,364,385	$ 88,173

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, 2018 and 2017 are as follows:

Revenues:	2018	2017	Change
Contributions	$ 91,673	$ 55,796	$ 35,877
Direct Operating Support – LCSD, In Kind	149,557	149,557	-0-
Inkind – Non Governmental	213,200	342,897	(129,697)
Grants	268,996	112,026	156,970
Special Event Revenue	517,927	468,029	49,898
State and Local Allocations	78,037	324,695	(246,658)
Other Revenues	374,968	517,974	(143,006)
Interest and Dividends	10,257	2,499	7,758
Net Realized and Unrealized Gains and Losses on Investments	3,655	15,251	(11,596)
Total Revenue	$ 1,708,270	$ 1,988,724	$ (280,454)

Expenses:	2018	2017	Change
Special Events	$ 384,335	$ 202,308	$ 182,027
Teacher Support	42,939	63,833	(20,894)
Take Stock In Children	541,057	804,339	(263,282)
Student Support	637,635	947,913	(310,278)
Personnel	7,820	11,625	(3,805)
Administration	6,311	9,382	(3,071)
Total Expenses	1,620,097	2,039,400	(419,303)
Change in Position	$ 88,173	$ (50,676)	$ 138,849

CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
Trailer	$ 19,833	$ -	$ -	$ 19,833
Vehicles	4,600	-	-	4,600
Equipment	56,000	-	-	56,000
Accumulated Depreciation	(16,572)	(13,304)	-	(29,877)
Total Capital Assets, net	$ 63,861	$ (13,305)	$ -	$ 50,556

ECONOMIC FACTORS

The average unemployment rate for Central Florida was 3.6% and 4.0 % for the nation as of June 2018.

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.

Binney
Accounting &
Assurance Services, PLLC

4327 South Hwy 27, Ste 331, Clermont, FL 34711 phone 407-924-5195

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, 2018, 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, 2018, 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 September 18, 2018, 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
September 18, 2018

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

STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 348,210
Cash and Cash Equivalents - Restricted	508,952
Investments	209,255
Investments - Restricted	46,148
Accounts Receivable - Restricted	36,684
Accrued Interest Receivable	77
Beneficial Interest In Assets Held By Others - Restricted	288,848
Inventory	218,164
Total Current Assets	1,656,338
Noncurrent Assets	
Capital Assets, net of Accumulated Depreciation	50,556
Beneficial Interest In Assets Held By Others - Restricted	2,658,874
Investments	198,414
Investments - Restricted	24,500
Total Noncurrent Assets	2,932,344
Total Assets	$ 4,588,682
LIABILITIES AND NET POSITION	
Current Liabilities	
Current Payables and Accrued Liabilities	$ 136,124
Total Current Liabilities	136,124
Net Position:	
Net Investment in Capital Assets	50,556
Restricted for:	
Scholarships	2,947,722
Other Donor Restrictions	591,784
Lake Tech	24,500
Unrestricted	837,996
Total Net Position	$ 4,452,558

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, 2018

	Expenses	Operating Grants and Revenues	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Teacher Support	$ 42,939	$ 85,513	$ 42,574
Special Events	384,335	591,119	206,784
Student Support	637,635	463,053	(174,582)
Take Stock In Children	541,057	314,428	(226,629)
Personnel	7,820	128,904	121,084
Administrative	6,311	-	(6,311)
Total Government Activities	$ 1,620,097	$ 1,583,017	$ (37,080)
General revenues:			
Contributions and other revenues			125,253
Total revenues			125,253
Change in net assets			88,173
Net position - July 1, 2017			4,364,385
Net position - June 30, 2018			$ 4,452,558

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, 2018

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 348,210
Cash and Cash Equivalents - Restricted	508,952
Investments	209,255
Investments - Restricted	46,148
Accounts Receivable - Restricted	36,684
Accrued Interest Receivable	77
Beneficial Interest In Assets Held By Others - Restricted	288,848
Inventory	218,164
Total Current Assets	1,656,338
Noncurrent Assets	
Beneficial Interest In Assets Held By Others - Restricted	2,658,874
Investments	198,414
Investments - Restricted	24,500
Total Noncurrent Assets	2,881,788
Total Assets	$ 4,538,126
LIABILITIES AND FUND BALANCES	
Current Liabilities	
Current Payables and Accrued Liabilities	$ 115,723
Total Current Liabilities	115,723
Fund Balances:	
Nonspendable - Inventories	218,164
Nonspendable - Permanent Funds	24,500
Restricted - Scholarships	2,947,722
Restricted - Other Donor Restricted	591,784
Unassigned	640,233
Total Fund Balances	4,422,403
Total Liabilities and Fund Balances	$ 4,538,126

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, 2018

Fund balances - total general fund	$ 4,422,403
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 $29,877.	50,556
Long-term liabilites, including compensated absences, are not due and payable in the current period and, therefore, are not reported as a liability in the governmental fund.	(20,401)
Total net position - governmental activities	$ 4,452,558

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, 2018

Revenues	
Operating Revenues:	
Contributions	$ 91,673
Direct Operating Support -LCSD, In Kind	149,557
Inkind - Nongovernmental	213,200
Grants	268,996
Scholarships	37,161
Special Events Revenue	517,927
State and Local Allocations	40,876
Other revenues	374,968
Total Operating Revenues	1,694,358
Expenditures:	
Teacher Support	42,939
Special Events	371,031
Student Support	637,635
Take Stock In Children	541,057
Personnel	5,656
Administrative	6,311
Total Operating Expenditures	1,604,629
Operating Profit	89,729
Non-operating Revenues	
Net realized and unrealized gains/(losses) on investments	3,655
Interest and Dividends	10,257
Total Non-operating Revenues	13,912
Increase in Fund Balances	103,641
Fund Balances, at July 1, 2017	4,318,762
Fund Balances, at June 30, 2018	$ 4,422,403

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, 2018

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

Net change in fund balances - General Fund	$ 103,641
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 was exceeded by depreciation expense of $13,304 in the current period.	(13,304)
Change in compensated absences	(2,164)
Change in net position - Governmental Activities	$ 88,173

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, 2018

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 24,628
Total Current Assets	24,628
Total Assets	$ 24,628
LIABILITIES AND NET POSITION	
Current Liabilities	
Due to Other Organizations	$ 24,628
Total Current Liabilities	24,628
Net Position:	
Held on Behalf of Other Organizations	-
Total Net Position	-
Total Liabilities and Net Position	$ 24,628

The accompanying notes are integral to this financial statement.

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-suport 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 ot 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.

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, 2018.

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 2014.

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.