

**FLAGLER COUNTY EDUCATION DIRECT-SUPPORT
ORGANIZATION, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Flagler County Education Direct-Support Organization, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Flagler County Education Direct-Support Organization, Inc. (the Foundation), a component unit of Flagler County District School Board, 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

The Foundation's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 auditors consider 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Statements

The financial statements of Flagler County Education Direct-Support Organization, Inc. for the year ended June 30, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on September 7, 2017.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 August 24, 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 Authority's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida
August 24, 2018

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

As financial management of the Flagler County Education Direct-Support Organization, Inc. (hereinafter referred to as the "Foundation"), we offer the readers of these basic financial statements this narrative overview and analysis of the Foundation's financial activities for the fiscal years that ended on June 30, 2018 and 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Foundation's financial statements, which follow this information.

Financial Highlights

The Foundation's overall combined assets totaled \$2,777,279 at the close of 2018, compared to \$2,558,523 and \$2,514,410 at the close of 2017 and 2016, respectively. Total assets exceeded liabilities by \$2,683,351 (*combined net position*) compared with \$2,557,473 and \$2,510,751 at the close of 2017 and 2016, respectively.

The Foundation's combined net position increased by \$125,878 in 2018, compared to an increase of \$46,722 and \$126,910 in 2017 and 2016, respectively. The increases experienced in 2018 and 2017 were primarily the result of increases in investment income on accumulated scholarship endowment funds and from increased community, corporate and private foundation support. The portions of net position restricted by donors totaled \$2,363,895, \$2,326,485 and \$2,162,421 at the end of 2018, 2017 and 2016 respectively. The unrestricted portion of net position (\$319,456 in 2018, \$230,988 in 2017, and \$348,330 in 2016) represents unrestricted amounts that may be used to meet the Foundation's ongoing obligations for its program activities.

The Foundation's operating revenues from contributions, donations and public support totaled \$372,168 in 2018, compared to \$202,996 and \$153,045 reported for fiscal 2017 and 2016, respectively. The increases in 2018 and 2017 were primarily the results of a goal of improving ongoing direct support efforts.

Revenues collected from various state grant funding and other state assistance remained stable and totaled \$164,079, compared to \$103,974 and \$106,824 in 2017 and 2016, respectively. In the current year, funding from the Take Stock in Children grant program and Consortium of Florida Education Foundations decreased overall as compared to 2017 by approximately \$22,000. In 2017, funding from the Take Stock in Children grant program and Consortium of Florida Education Foundations decreased overall as compared to 2016 by approximately \$5,000. In 2018, local grants increased approximately \$26,000 from 2017. In 2017, local grants increased approximately \$2,000 from 2016.

Net proceeds from the Foundation's fundraising activities increased approximately \$31,000 from 2017, and totaled \$97,578 from ten events in 2018, compared to \$88,714 from five fundraising events in 2017, and \$138,554 from six fundraising events in 2016.

Operating expenses for the Foundation's various program services totaled \$400,399 in 2018, compared to \$292,389 in 2017 and \$261,205 in 2016. The increase of approximately \$94,000 was primarily the result of increased contributions of district grants and scholarships paid by the Foundation. The Foundation's expenses for administrative support services increased in the current year and totaled \$189,047, compared to \$66,175 in 2017 and \$65,949 in 2016. This increase of approximately \$123,000 was primarily due to the Foundation's reimbursement to the School District for salaries and benefits due to the addition of one employee in 2018.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
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The Foundation has continued in its funding of prepaid college tuition scholarships from the Florida Prepaid College Foundation with the acquisition of thirty-two new contracts in 2018, compared to thirty-two new contracts in 2017, and ten new contracts in 2016.

Entity-Wide Financial Analysis

The Foundation presents its financial statements for the fiscal year ended June 30, 2018, which include for comparative purposes the fiscal year ended June 30, 2017, certain accounts of which have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The Foundation is a direct support organization and a component unit of the Flagler County District School Board (a governmental agency). It also possesses the necessary characteristics of a governmental organization since the potential for unilateral dissolution with the reversion of its net position to the School District exists pursuant to Section 1001.453(1)(a)(1), Florida Statutes. The Foundation accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board (GASB). The Foundation is considered a Business-Type Activity under the provisions of GASB 34 and 35.

The Foundation's financial statements are comprised of two parts: 1) management's discussion and analysis, and 2) the basic financial statements, including notes to the financial statements.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the Foundation's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The basic financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Foundation's financial activities, which are operated like commercial enterprises. These statements report information about the Foundation using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Foundation's assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported.

The basic financial statements of the Foundation include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements, which are described as follows:

- The statement of net position (formerly the balance sheet) presents the financial position of the Foundation on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.
- The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the 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 the related cash flows. This statement also provides certain information about the Foundation's various programs, cost centers and administrative activities.
- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets, when applicable.

- The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Foundation's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The Foundation's entity-wide financial statements report its net position and how they have changed over the reporting period. Net position (the difference between assets and liabilities) may serve as a useful indicator of the Foundation's financial position. Over time, increases or decreases in net position are a useful indicator of whether the Foundation's financial health is improving or deteriorating, respectively. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation must be considered to adequately assess its overall health.

The material portion of the Foundation's net position (75%) reflects its investment in surplus cash funds and investments, the material portion of which represents endowment funds that are permanently restricted by the donors. The Foundation's investment in prepaid student scholarship awards represents approximately 19% of its net position at year end. The Foundation's assets do not include any physical real or personal property, all of which is owned exclusively by the School District.

Net position is the sum of assets (both financial and tangible) minus all current liabilities and short and long-term debt obligations. Net position is a valuable measure of creditworthiness and financial health since the calculation includes both financial obligations and the capacity to service those obligations. This year, the Foundation's combined total assets exceeded liabilities (net position) by \$2,683,351, compared to \$2,557,473 at the end of 2017.

The net position of the Foundation at June 30, 2018 and 2017 is summarized as follows:

Net Position

	June 30,		
	2018	2017	2016
Assets:			
Current and other assets	\$ 90,908	\$ 248,182	\$ 118,623
Restricted assets	25,262	67,663	35,149
Noncurrent assets	2,661,109	2,242,678	2,360,638
Total assets	2,777,279	2,558,523	2,514,410
Liabilities:			
Current liabilities	93,928	1,050	3,659
Noncurrent liabilities	-	-	-
Total liabilities	93,928	1,050	3,659
Net Position:			
Restricted-nonexpendable	1,519,559	1,519,559	1,519,559
Restricted-expendable	844,336	806,926	642,862
Unrestricted	319,456	230,988	348,330
Total net position	\$ 2,683,351	\$ 2,557,473	\$ 2,510,751

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

The Foundation's total assets increased by \$218,756, or 8.55% in 2018, compared to an increase of \$44,113, or 1.75%, at the end of 2017 and an increase of \$130,569, or 5.48% at the end of 2016. At the end of June 2018, the Foundation's total assets consisted primarily of cash and cash equivalents (\$99,725), time deposits (\$236,604), municipal bonds (\$229,784), mutual fund and other endowment investments (\$1,689,568), which make up approximately 69% of total assets (79% and 81% at the end of June 2017 and 2016, respectively). Amounts invested in prepaid tuition scholarships held by the Florida College Prepaid Scholarship Foundation decreased \$9,067 in 2018 and totaled \$505,153, or 18% of total assets (20% and 18% at the end of June 2017 and 2016, respectively). These amounts reflect the two primary activities of the Foundation in the areas of scholarships and program enhancement.

The Foundation's total liabilities consist of commissions payable and amounts due to Flagler County District School Board of \$93,928 at the end of 2018, compared to trade accounts payable of \$1,050 and \$3,659 at the end of 2017 and 2016, respectively.

Amounts temporarily restricted for donor designated uses increased by \$37,410 during the year and totaled \$844,336 at June 30, 2018, compared to \$806,926 and \$642,862 at the end of 2017 and 2016, respectively. The significant portion (71%) of these restricted funds is represented by the Foundation's program funds which are held for, or currently invested in, prepaid tuition scholarships held by the Florida College Prepaid Scholarship Foundation (\$574,684 at the end of 2017). Temporarily restricted endowment funds (\$172,243), Stuff Bus project funds (\$32,623), and other restricted project funds (\$27,376) represent the remaining 29% of restricted funds at the end of 2017.

Amounts permanently restricted at the end of the year totaling \$1,519,559 are composed of nonexpendable endowment contributions, all of which may only be expended for donor pre-designated uses. These amounts totaled \$1,519,559 and \$1,519,559 at the end of 2017 and 2016, respectively.

Unrestricted net position totaled \$319,456 at the end of 2018, compared to \$230,988 and \$348,330 at the end of 2017 and 2016, respectively.

While the statement of net position shows a snapshot of the Foundation's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of those changes.

During fiscal 2018, the Foundation's operating revenues remained strong and totaled \$675,204, compared to \$395,684 in 2017. Revenues received from private, public, corporate and government support, contributions and grants increased by \$229,277 (or 75%) during 2018, primarily the result of a focus on direct donor marketing, as well as continued state grant and other state financial assistance programs.

Revenues collected from fundraising activities increased by 57% in 2018 and totaled \$138,957, compared to \$88,714 and \$138,554 at the end of 2017 and 2016, respectively. The reduction in 2017 was primarily the result of not continuing the Tommy Tant Surf Festival in 2017. Fundraising activities (receipts) in 2017 (compared to 2016) included the Annual Golf Tournament (\$24,865 and \$19,975), Mardi Gras Event (\$23,635 and \$26,775), Tommy Tant Surf Festival (\$-0- and \$38,081), Picnic in the Park (\$5,821 and \$6,377), Josh Crews Gala Event (\$31,317 and \$41,581), and the Jim Guines Luncheon Event (\$-0- and \$5,765). In 2016, the Foundation reported capital additions of \$2,317 representing a permanent scholarship endowment award, the earnings from which are restricted for future scholarships.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following is a summary of changes in net position for the fiscal years:

Revenues, Expenses and Changes in Net Position

	For the Years Ended June 30,		
	2018	2017	2016
Operating Revenues:			
Contributions, donations and corporate support	\$ 372,168	\$ 202,996	\$ 155,834
State grants	164,079	103,974	106,824
Fundraising	138,957	88,714	138,554
Total operating revenues	675,204	395,684	401,212
Operating Expenses:			
Program services	400,399	292,389	261,205
Support services	230,426	102,736	132,035
Total operating expenses	630,825	395,125	393,240
Operating income	44,379	559	7,972
Nonoperating Revenues:			
Investment income	81,499	46,163	116,261
Income before additions to permanent endowments	125,878	46,722	124,593
Additions to permanent endowments	-	-	2,317
Increase in net position	125,878	46,722	126,910
Net Position, beginning of year	2,557,473	2,510,751	2,383,841
Net Position, end of year	\$ 2,683,351	\$ 2,557,473	\$ 2,510,751

The Foundation's primary program service expenses were varied in 2018 and 2017. Overall program service expenses increased from \$292,389 in 2017 to a total of \$400,399 in 2018. Quarterly reimbursements to the School District for salaries and benefits increased by 14% due to an added employee in 2018 and totaled \$126,070, compared to \$108,361 incurred in 2017. This increase was directly related to the administration of the Foundation's program services, the costs of which were allocated to the respective programs responsible for the personnel expenses allocated.

The cost of the Foundation's fundraising activities increased by \$18,865 during 2018 and totaled \$41,379, compared to \$36,561 one year earlier.

Overall, the Foundation's operating expenses totaled \$630,825 in 2018, which is 60% greater than the \$395,125 in 2017, and the \$393,240 incurred in 2016.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

The Foundation's spending on program services for each of the past three years is summarized as follows:

Operating Expenses

	For the Years Ended June 30,		
	2018	2017	2016
Program Services:			
Josh Crews Writing Project	\$ -	\$ 10,739	\$ 6,443
Innovation mini grants	50,452	55,368	15,565
HS High Tech	18,047	-	-
Flagship schools	31,971	62,293	43,758
Take Stock in Children	91,525	-	-
STEM Learning program	-	9,000	10,500
	<u>191,995</u>	<u>137,276</u>	<u>76,266</u>
Scholarship and Tuition Reimbursements:			
Take Stock in Children	67,081	110,937	75,986
Community scholarships	516	20,200	60,592
Senior Scholarships	96,450	-	-
Tommy Tant Memorial Scholarship	9,400	-	-
Connect Bus	11,395	-	-
Senior Scholarship Expense	7,204	-	-
Employee Assistance	2,104	-	-
Other scholarships	207	-	-
	<u>194,357</u>	<u>131,137</u>	<u>136,578</u>
Other Programs:			
District Initiatives	-	5,305	10,470
Community Literacy	-	-	16,747
Back 2 School	8,792	-	-
Teacher of the Year	3,456	-	-
Dolly Parton Imagination Library	-	-	-
Stuff Bus	1,799	18,671	21,144
	<u>14,047</u>	<u>23,976</u>	<u>48,361</u>
Total program services	<u>400,399</u>	<u>292,389</u>	<u>261,205</u>
Support Services:			
General and administrative	189,047	66,175	87,747
Fundraising:			
Golf tournament	8,292	12,858	12,442
Mardi Gras	607	10,597	11,158
Josh Crews Gala	-	8,412	8,468
Josh Crews Writing	10,739	-	-
Picnic in the Park	-	2,726	2,370
Tommy Tant Surf Festival	-	-	24,572
Other	-	1,968	7,076
Total support services	<u>230,426</u>	<u>102,736</u>	<u>132,035</u>
Total operating expenses	<u>\$ 630,825</u>	<u>\$ 395,125</u>	<u>\$ 393,240</u>

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Amounts expensed on acquiring prepaid student tuition scholarships, totaled \$67,081 in 2018, \$58,014 of which was actual dollars spent, compared to \$88,795 in 2017, \$48,526 of which was actual dollars spent, and \$39,655 one year earlier. In 2017, the Foundation was able to restructure and use the unused portions of twenty-one previously acquired prepaid student tuition contracts that remained unused for over ten years. In addition, the Foundation was able to modify four of its existing 120-hour tuition contracts for eight 60-hour contracts to expand its tuition offerings to more students. As a net result of the successful modification of these contracts, including current year acquisitions, the Foundation was able to add thirty-two 60-hour tuition contracts in 2017. In 2016, the Foundation acquired ten 60-hour tuition contracts and in 2015, the Foundation acquired twenty 60-hour tuition contracts.

Cash Flows

Net cash provided by operating activities increased by \$161,404 in 2018 and totaled \$204,037, compared to \$42,633 in 2017 and \$12,873 in 2016. The increase in 2018 was primarily related to the increase in cash from contributions, donations and other support.

Net cash from investing activities increased due to the transfer of a CD into the LPL investment account of \$404,013 in 2018, compared to amounts produced in investing activities in the prior year totaling \$126,037. The increase in 2017 was attributed to the retirement of the above said CD of \$200,000. The certificate of deposit which was not immediately reinvested. The Foundation's uses typically include amounts paid to the Florida Prepaid College Foundation for prepaid student tuition contracts (\$67,081 in 2018, \$88,795 in 2017, and \$39,655 in 2016, and actual dollars spent in 2018 of \$58,014, compared to \$48,526 in 2017). Amounts also include the net costs of investment trades experienced from the reinvestment of permanent endowment funds received in prior years. Virtually all of the Foundation's investment earnings collected are reinvested in the endowment accounts.

Future Economic Factors

Charitable giving continues to be significantly affected by many factors including the general state of the economy, the health of the stock market and prospective donors' perception of the benefiting organization. Toward this latter factor, the Foundation has historically enjoyed a very positive reputation in the communities it serves. While economic factors do ultimately affect charitable giving in general, the Foundation has a developed a history of steady growth regardless of changes in these factors.

Some of the major factors considered by the Foundation in the process of predicting future economic factors are the local economy, civilian labor force, unemployment rates, and inflation rates.

The most recent estimates available for unemployment data in Flagler County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a 3.1% increase in the countywide Civilian Labor Force of 47,506 at the end of June 2018, compared with 46,097 at the end of June 2017. The number of unemployed workers dropped from 2,196 (or 4.8%) at the end of June 2017, to 2,040 (or 4.3%) at the end of June 2018.

Inflationary trends for Flagler County compare favorably with those trends experienced at the state and national levels.

Requests for Information

This financial report is designed to provide our donors, grantors, recipients, and creditors with a general overview of the Foundation's finances and to demonstrate the Foundation's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Executive Director, Flagler County Education Direct-Support Organization, Inc., P. O. Box 354117, Palm Coast, Florida 32135.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 74,463	\$ 232,038
Restricted assets:		
Cash and cash equivalents	25,262	67,663
Accounts and grants receivable, net	16,445	16,144
Total current assets	116,170	315,845
Non-current assets		
Investments	236,604	-
Restricted assets:		
Florida prepaid scholarships	505,153	514,220
Investments	1,919,352	1,728,458
Total non-current assets	2,661,109	2,242,678
Total Assets	\$ 2,777,279	\$ 2,558,523
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 1,050
Commissions payable	56,308	-
Due to Flagler County District School Board	37,620	-
Total Liabilities	\$ 93,928	\$ 1,050
<u>NET POSITION</u>		
Restricted:		
Nonexpendable	\$ 1,519,559	\$ 1,519,559
Expendable	844,336	806,926
Unrestricted	319,456	230,988
Total Net Position	\$ 2,683,351	\$ 2,557,473

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

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating revenues		
Contributions, donations and support	\$ 372,168	\$ 202,996
State grants	164,079	103,974
Fundraising	138,957	88,714
Total operating revenues	675,204	395,684
Operating expenses		
Program services:		
District grants	191,995	137,276
Scholarships and tuition reimbursements	194,357	131,137
Other programs	14,047	23,976
Total program services	400,399	292,389
Support services:		
General and administrative	189,047	66,175
Fundraising	41,379	36,561
Total support services	230,426	102,736
Total operating expenses	630,825	395,125
Operating income (loss)	44,379	559
Nonoperating revenues (expenses)		
Investment income	81,499	46,163
Change in net position	125,878	46,722
Net position, beginning of year	2,557,473	2,510,751
Net position, end of year	\$ 2,683,351	\$ 2,557,473

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

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Cash received from contributions and donations	\$ 372,168	\$ 202,996
Cash received from fundraising	138,957	88,714
Cash received from grants	163,778	109,169
Cash paid for Flagler School District reimbursements	(169,950)	(108,361)
Cash paid for scholarship awards and grants	(125,748)	(138,492)
Cash paid for other programs	(14,047)	(25,183)
Cash paid for fundraising	(41,379)	(36,561)
Cash paid for administrative costs	(119,742)	(49,649)
Net cash provided by (used in) operating activities	204,037	42,633
Cash flows from investing activities		
Purchase of prepaid scholarships	(58,014)	(88,795)
Sales (purchases) of investments	(346,398)	177,492
Investment income	399	37,340
Net cash provided by (used in) investing activities	(404,013)	126,037
Net increase (decrease) in cash and cash equivalents	(199,976)	168,670
Cash and cash equivalents, beginning of year	299,701	131,031
Cash and cash equivalents, end of year	\$ 99,725	\$ 299,701
Reconciliation of operating income to net cash provided by (used in) operating activities		
Cash flows from operating activities		
Operating income	\$ 44,379	\$ 559
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Amortization of prepaid tuition contracts	67,081	38,086
Changes in assets and liabilities		
Decrease (Increase) in accounts receivable	(301)	5,195
Decrease (Increase) in prepaid expenses	-	1,402
Increase (Decrease) in accounts payable and accrued expenses	(1,050)	(2,609)
Increase (Decrease) in commissions payable	56,308	-
Increase (Decrease) in due to Flagler County District School Board	37,620	-
Total adjustments	159,658	42,074
Net cash provided by (used in) operating activities	\$ 204,037	\$ 42,633
Cash and cash equivalents reported as:		
Unrestricted	\$ 74,463	\$ 232,038
Restricted	25,262	67,663
	\$ 99,725	\$ 299,701

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

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—The Flagler County Education Direct-Support Organization, Inc. (the Foundation) is a direct support organization (as defined in Section 1001.453, Florida Statutes), and is considered a component unit of the Flagler County District School Board (the “School District”) for financial reporting purposes. The Foundation was formed as an I.R.C. Section 501(c)(3) nonprofit corporation on February 26, 1990, whose objective is to develop a partnership between the community and its schools for the enhancement and support of public education in Flagler County, Florida. It also possesses the necessary characteristics of a governmental organization since the potential for unilateral dissolution with the reversion of its net position to the School District exists pursuant to Section 1001.453(1)(a)(1), Florida Statutes.

(b) **Basis of presentation**—As a component unit of the School District, the financial statements of the Foundation have been prepared in accordance with Generally Accepted Accounting Principles as applied to governmental units. The Governmental Accounting Standards Board (the GASB) is the standard setting body for governmental accounting and financial reporting. The Foundation utilizes the accrual basis of accounting in accordance with the GASB Codification.

(c) **Basis of accounting and financial reporting**—For financial reporting purposes, the Foundation is considered a special-purpose government entity engaged exclusively in business-type activities. Accordingly, the Foundation’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

(d) **Financial statement classification**—The basic financial statements required for proprietary funds by GASB 34 are: a statement of net position or a balance sheet; a statement of activities; and a statement of cash flows. The Statement of Net Position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the Foundation’s policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

(e) **Fund accounting**—To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. All of the Foundation’s financial activity is accounted for in a single business-type fund, which contains restricted and unrestricted components. The Foundation’s operating account includes unrestricted and restricted resources, representing the portion of expendable and nonexpendable funds that are available for support of operations and funds available for use in accordance with specific restrictions, respectively.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Revenue recognition**—An exchange or exchange-like transaction is one in which each party receives and sacrifices something of approximate equal value. Amounts received from exchange transactions are recognized as revenue when the exchange transaction takes place.

A non-exchange transaction is one in which one party receives something of value without directly giving value in exchange. Non-exchange transactions may include, but are not limited to:

- **Gifts/donations - Assets** are recognized when all eligibility requirements are met or funds are received; whichever is first. Revenue is recognized when all eligibility requirements have been met. If gift is received prior to meeting eligibility requirements, it is recorded as deferred revenue.

Eligibility requirements are conditions specified by a donor that must be met, such as time requirements, matching requirements. Purpose restrictions are not eligibility requirements and do not affect revenue recognition. Gifts received with purpose restrictions are reported as restricted until used for designated purpose or until restriction expires.

Some gifts are received with the stipulation that the resources cannot be sold, disbursed, or consumed until a specified number of years have passed or a specific event has occurred, such as endowments, term endowments, works of art and historical treasures. For these gifts, revenues are recognized when the resources are received, provided that all eligibility requirements are met. Resulting net position is reported as restricted for as long as the restrictions or time requirements remain in effect.

- **Certain grants, entitlements - Assets** are recognized when all eligibility requirements are met or funds are received; whichever is first. Revenue is recognized when all eligibility requirements have been met. If grant funds are received prior to meeting eligibility requirements, they are recorded as deferred revenue. Eligibility requirements are conditions specified by the grantor that must be met, such as an eligible recipient, time requirements, matching requirements, etc. Purpose restrictions are not eligibility requirements and do not affect revenue recognition. Grants received with purpose restrictions are reported as restricted.
- **Promises to give (pledges) –** Amounts must be promised by a non-governmental entity – individual, business, or Foundation. Asset (receivable) and revenue are recognized when all eligibility requirements are met and amount is verifiable, measurable, and collection is probable (likely to occur). Endowment pledges are generally not recognized until received since the promise to not sell, disburse, or consume the asset cannot be honored until the asset has been received.

Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Income taxes**—The Foundation is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management of the Foundation considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Foundation's status as a not-for-profit entity. Management believes the Foundation met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Foundation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(h) **Classification of revenues**—The Foundation's principal operating activity is providing education program support, mini-grants, and student scholarships. Operating revenues include private contributions, donations, community support, and operating grants. Non-operating revenues include investment income and earnings and contributions restricted for capital additions or endowments, when applicable. Operating expenses include all fiscal transactions related to education support, Foundation management, and fundraising.

(i) **Donor restricted accounts**—Restricted net position is cash that has been received through fundraising events, community support and grant funds that are designated for specific program funding and scholarships. Investment income, including unrealized appreciation and depreciation, is allocated to restricted accounts on a pro rata basis based on the nonexpendable account balance, when applicable. In accordance with state law, these funds are then available for expenditure when the specific restrictive donor criteria are met.

(j) **Cash and cash equivalents**—Cash and cash equivalents represent both restricted and unrestricted cash in checking and money market accounts and include all highly liquid investments with initial maturities of three months or less. Cash deposits of the Foundation are insured by Federal Depository Insurance to the extent of regulatory requirements.

(k) **Investments**—Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net position. Investment income and gains restricted by a donor are reported as increases in unrestricted net position if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Certificates of deposit are held at cost plus accrued interest, which approximates fair value.

(l) **Accounts and pledges receivable**—The Foundation's accounts receivable mainly consists of amounts receivable from grant funding for programs administered by the Foundation. The Foundation considers its receivables to be fully collectible.

(m) **Inventories**—Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

(n) **Capital assets**—The Foundation's operations are maintained at facilities owned and operated by the School District at no cost to the Foundation. When applicable, capital asset acquisitions intended for direct contribution to the School District are recorded as expenditures in the Foundation's accounting records.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(o) **Net position**—The Foundation's net position is classified as follows:

- Restricted Net Position – Expendable - includes resources the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Restricted Net Position – Nonexpendable - consists of endowment and similar type funds in which donors or outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income.
- Unrestricted - represents net position that is not restricted for any purpose and available for current operations.

When both restricted and unrestricted resources are available and eligible to be used for a specified expenditure, it is the Foundation's policy to first use restricted resources, and then unrestricted resources.

(p) **Fair value of financial instruments**—The Foundation did not hold any derivative instruments for trading purposes at June 30, 2018 and 2017, and does not invest in derivative instruments. The carrying amount of cash, receivables and payables approximates fair value.

(q) **Donated property**—Donated marketable securities and other noncash donations used to further the purposes of the Foundation are recorded at estimated acquisition value at the time of donation, when applicable.

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

(s) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(t) **Employee salaries and benefits**—Generally, all administration and management functions of the Foundation are performed by individuals whose salaries, wages and related employee benefits are paid by the School District. The Foundation does not recognize any pro-rata portion of liabilities for employment related benefits (i.e., employee insurance premiums, pension obligations, and other post-employment benefit obligations) of the School District.

(u) **Reclassifications**—Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(2) Investments and Fair Value Measurements:

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Mutual funds – valued at quoted market prices which represent the net asset value of shares held by the Foundation at year-end.

Municipal bonds – valued at quoted market prices which represent the net asset value of issues held by the Foundation at year-end.

The following table summarizes the assets of the Foundation for which fair values are determined on a recurring basis:

	Fair Value Measurements as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Money Markets	\$ 307,683	\$ -	\$ -	\$ 307,683
Mutual Funds	1,381,885	-	-	1,381,885
Municipal Bonds	229,784	-	-	229,784
Total assets at fair value	<u>\$ 1,919,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,919,352</u>

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(2) **Investments and Fair Value Measurements:** (Continued)

	Fair Value Measurements as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Money Markets	\$ 60,404	\$ -	\$ -	\$ 60,404
Mutual Funds	1,199,483	-	-	1,199,483
Municipal Bonds	231,967	-	-	231,967
Total assets at fair value	\$ 1,491,854	\$ -	\$ -	\$ 1,491,854

The following risks apply to the Foundation's investments:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investments in fixed income mutual funds are subject to interest rate risk. The effective average duration of the Foundation's investments in bond mutual funds as of June 30, 2018 range from 14 to 23 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. At June 30, 2018, the Foundation held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below.

	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less Than A/Ba or Not Rated
Fixed income mutual funds	\$ 229,784	\$ -	\$ 166,305	\$ 16,273	\$ 47,206

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation maintains an investment account with a brokerage firm which includes a portfolio with a market value of \$1,919,352 and \$1,491,854 at June 30, 2018 and 2017, respectively, which is insured up to \$500,000 by the Securities Investor Protection Corporation in the event of the brokerage firms' liquidation. This coverage does not protect against market fluctuations.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(3) **Accounts Receivable:**

At June 30, 2018 and 2017 accounts receivable consisted exclusively of amounts due from state and other grantor agencies totaling \$16,445 and \$16,144, respectively.

(4) **Prepaid Tuition Contracts:**

Individual student scholarship contracts have been purchased from the Florida Prepaid College Foundation, Inc. (the FPCF) to be assigned to eligible students within the School District who meet standards specified in the Foundation's scholarship program pursuant to the provisions of Memorandums of Understanding between the Foundation and the FPCF.

Under the Memorandums, the FPCF sells prepaid student tuition scholarships to the Foundation at approximately one-half (50%) their normal cost. The Foundation recognizes all prepaid tuition scholarship contract acquisitions as assets of the Foundation until such time students satisfy the requirements set forth in the scholarships. Scholarship amounts are recorded at cost, which is equivalent to the refund value. However, the total plan value of the scholarships held by the FPCF for the Foundation is approximately double the amount recorded by the Foundation.

Upon purchasing the scholarships, the Foundation records an asset in the form of beneficial interest in assets held by others. As scholarships are awarded, the Foundation maintains an accounting for the credit hours earned by participating students. The Foundation recognizes an expense based on the credit hours earned. For example, if a student is awarded a scholarship worth 120 credit hours and earns 40 credit hours, the Foundation would recognize one-third of the amount paid for the scholarship in the period earned. For the years ended June 30, 2018 and 2017, contributions of \$58,014 and \$88,795, respectively, were made by the Foundation to acquire contracts from the FPCF.

The Foundation's balance of prepaid student tuition contracts as of June 30, 2018 and 2017, consists of the following:

Foundation prepaid scholarships as of June 30, 2016	\$	463,511
Scholarships acquired during the year:		
Contracts purchased		88,795
Scholarship credits used by students		(38,086)
Foundation prepaid scholarships as of June 30, 2017	\$	514,220
Scholarships acquired during the year:		
Contracts purchased		58,014
Scholarship credits used by students		(67,081)
Foundation prepaid scholarships as of June 30, 2018	\$	505,153

The total plan value of prepaid student tuition contracts held by the FPCF for the Foundation as of June 30, 2018 and 2017, consists of the following:

	2018	2017	
FPCF total plan value of prepaid scholarships	\$ 1,005,301	\$ 1,046,736	
Less FPCF portion	(500,148)	(532,516)	
Total Foundation prepaid scholarships	\$ 505,153	\$ 514,220	

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(5) **Net Position Restrictions and Designations:**

Restricted – Nonexpendable—A summary of net changes in net position that included restricted, nonexpendable donor-imposed or board-imposed restrictions consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Bernard L. Axelrod Endowment Fund	\$ 200,000	\$ 200,000
Robert Osner Kiwanis Scholarship Endowment Fund	1,319,559	1,319,559
Total net position restricted-nonexpendable	<u>\$ 1,519,559</u>	<u>\$ 1,519,559</u>

Restricted - Expendable—A summary of net changes in net position that included restricted, but expendable donor-imposed or board-imposed restrictions consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Florida Prepaid College Foundation Scholarships	\$ 505,153	\$ 574,684
Robert Osner Kiwanis Scholarship Endowment Fund	242,669	172,243
Stuff Bus Project	43,699	32,623
Community Outreach Project	12,953	10,000
Bernard L. Axelrod Endowment Fund	16,991	6,317
Senior Scholarship	9,910	-
Tommy Tant Memorial Scholarship	5,563	-
Connect Bus	3,605	-
Employee Assistance Program	1,368	2,339
Josh Crews writing Project	960	7,989
Teacher of the Year Program	775	731
Teacher Grants	690	-
Total net position restricted-expendable	<u>\$ 844,336</u>	<u>\$ 806,926</u>

(6) **Related Party Transactions:**

The Foundation is a legally established direct-support organization and component unit of the Flagler County District School Board, whose objective is to develop a partnership between the community and its schools for the enhancement and support of public education in Flagler County, Florida. To meet this objective, the Foundation is permitted to use facilities and personal services of the District, provided the rules of the School Board are followed. As a result, various administrative and internal service functions are provided to the Foundation throughout the year by the District without remuneration. The Foundation has elected to not include the value of these donated materials and services, which are significant to the operations of the Foundation, in the accompanying financial statements.

During the years ended June 30, 2018 and 2017, the Foundation reimbursed the School District for a portion of the salaries and related employee benefits for the Executive Director, Scholarship Specialist, and Organizational and Database Specialist in the amount of \$100,342 and \$108,331, respectively. At June 30, 2018, the amount due to Flagler County District School Board was \$56,308. There was no amount due to Flagler County District School Board at June 30, 2017.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(7) Commitments and Contingencies:

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural causes for which the Foundation carries commercial insurance. The Foundation has incurred no losses in excess of coverage in the last four years.

(8) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued new or modifications to, or interpretations of, existing accounting guidance during the year ended June 30, 2018. The Foundation has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in these notes to the financial statements, does not believe that any other new or modified principles will have a material impact on the Foundation's reported financial net position or activities in the near term.

INDEPENDENT AUDITORS' 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,
Flagler County Education Direct-Support Organization, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Flagler County Education Direct-Support Organization, Inc. (the Board) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 24, 2018.

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 opinions 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 Foundation'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies identified below to be significant deficiencies:

2018-001 – Reconciliation of Account Balances

We noted amounts for contract purchases of prepaid scholarships were inadvertently recorded to expenses, and amounts for scholarship credits used by students were not recorded. Such amounts

should have been properly recorded for the year-ended June 30, 2018. We also noted commissions payable were not recorded because these amounts were paid subsequent to the Foundation's fiscal year-end. However, commissions payable were incurred and should have been recorded as expense with a corresponding increase in commissions payable for the year-ended June 30, 2018. The Foundation's controls should include periodic reconciliations of significant account balances, including full accrual-based reconciliations at fiscal year-end to ensure all amounts have been appropriately recorded. We recommend the Foundation increase its review of such transactions, including a review for proper cutoff at the fiscal year-end, to help ensure completeness and accuracy of all financial reporting.

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*.

Response to Findings

The Foundation's responses to the findings identified in our audit are described as listed in the table of contents. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daytona Beach, Florida
August 24, 2018

James Moore & Co., P.L.

MANAGEMENT'S RESPONSE TO FINDINGS

2018-001 – Reconciliation of Account Balances

The Foundation will update its accounting policies and procedures to include additional review of year-end accruals.