

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

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
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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 years ended June 30, 2019 and 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.

Opinion

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, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

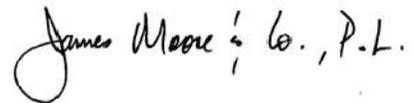
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 23, 2019, 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.



Daytona Beach, Florida
August 23, 2019

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018

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, 2019 and 2018. 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 \$2,895,406 at the close of 2019, compared to \$2,777,279 and \$2,560,445 at the close of 2018 and 2017, respectively. Total assets exceeded liabilities by \$2,802,733 (*combined net position*) compared with \$2,683,351 and \$2,557,474 at the close of 2018 and 2017, respectively.

The Foundation's combined net position increased by \$119,382 in 2019, compared to an increase of \$125,878 and \$46,722 in 2018 and 2017, respectively. The increases experienced in 2019 and 2018 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 \$2,774,274, \$2,363,895 and \$2,326,485 at the end of 2019, 2018 and 2017 respectively. The unrestricted portion of net position (\$112,903 in 2019, \$319,456 in 2018, and \$230,988 in 2017) 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 \$256,480 in 2019, compared to \$372,168 and \$111,940 reported for fiscal 2018 and 2017, respectively. The increases in 2019 and 2018 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 \$218,960, compared to \$164,079 and \$103,974 in 2018 and 2017, respectively. In the current year, funding from the Take Stock in Children grant program and Consortium of Florida Education Foundations increased overall as compared to 2018 by approximately \$46,000. In 2018, 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 2019, local grants increased approximately \$9,000 from 2018. In 2018, local grants increased approximately \$26,000 from 2017.

Net proceeds from the Foundation's fundraising activities increased approximately \$29,500 from 2018, and totaled \$127,124 from ten events in 2019, compared to \$97,578 from ten fundraising events in 2018, and \$88,714 from five fundraising events in 2017.

Operating expenses for the Foundation's various program services totaled \$365,692 in 2019, compared to \$400,399 in 2018 and \$292,389 in 2017. The decrease of approximately \$163,000 was primarily the result of decreased 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 \$258,990, compared to \$189,047 in 2018 and \$66,175 in 2017. This increase of approximately \$69,000 was primarily due to the Foundation's reimbursement to the School District for salaries and benefits due to salary changes and the addition of one employee in 2019. The increase of approximately \$73,000 was due to the increase in fundraising expenses.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

The Foundation has continued in its funding of prepaid college tuition scholarships from the Florida Prepaid College Foundation with the acquisition of twenty-eight new contracts in 2019, compared to thirty-two new contracts in 2018, and thirty-two new contracts in 2017.

Entity-Wide Financial Analysis

The Foundation presents its financial statements for the fiscal year ended June 30, 2019, which include for comparative purposes the fiscal year ended June 30, 2018, 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.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

- 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 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 \$2,802,733, compared to \$2,683,351 at the end of 2018.

The net position of the Foundation at June 30, 2019 and 2018 is summarized as follows:

	Net Position		
	<u>2019</u>	<u>June 30, 2018</u>	<u>2017</u>
Assets:			
Current and other assets	\$ 175,454	\$ 90,908	\$ 248,182
Restricted assets	608	25,262	67,663
Noncurrent assets	2,719,344	2,661,109	2,242,678
Total assets	<u>2,895,406</u>	<u>2,777,279</u>	<u>2,558,523</u>
Liabilities:			
Current liabilities	92,673	93,928	1,050
Total liabilities	<u>92,673</u>	<u>93,928</u>	<u>1,050</u>
Net Position:			
Restricted-nonexpendable	1,519,559	1,519,559	1,519,559
Restricted-expendable	1,254,715	844,336	806,926
Unrestricted	28,459	319,456	230,988
Total net position	<u>\$ 2,802,733</u>	<u>\$ 2,683,351</u>	<u>\$ 2,557,473</u>

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

The Foundation's total assets increased by \$118,127, or 4.25% in 2019, compared to an increase of \$218,756, or 8.55%, at the end of 2018 and an increase of \$44,113, or 1.75% at the end of 2017. At the end of June 2019, the Foundation's total assets consisted primarily of cash and cash equivalents (\$148,919), municipal bonds (\$229,784), mutual fund and other endowment investments (\$1,689,568), which make up approximately 69% of total assets (69% and 79% at the end of June 2018 and 2017, respectively). Amounts invested in prepaid tuition scholarships held by the Florida College Prepaid Scholarship Foundation increased \$83,794 in 2019 and totaled \$533,979, or 20% of total assets (18% and 20% at the end of June 2018 and 2017, 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 \$92,673 at the end of 2019, compared to trade accounts payable of \$93,928 and \$1,050 at the end of 2018 and 2017, respectively.

Amounts temporarily restricted for donor designated uses increased by \$410,379 during the year and totaled \$1,254,715 at June 30, 2019, compared to \$844,336 and \$806,926 at the end of 2018 and 2017, respectively. The significant portion (60%) 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 (\$505,153 at the end of 2018). Temporarily restricted endowment funds (\$259,660), Stuff Bus project funds (\$43,699), and other restricted project funds (\$35,824) represent the remaining 40% of restricted funds at the end of 2018.

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 2018 and 2017, respectively.

Unrestricted net position totaled \$28,459 at the end of 2019, compared to \$319,456 and \$230,988 at the end of 2018 and 2017, 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 2019, the Foundation's operating revenues totaled \$664,724, compared to \$675,204 in 2018. Revenues received from private, public, corporate and government support, contributions and grants decreased by \$60,807 (or 11%) during 2019, primarily due to reduced private donations.

Revenues collected from fundraising activities increased by 36% in 2019 and totaled \$189,284, compared to \$138,957 and \$88,174 at the end of 2018 and 2017, respectively. The increase in 2019 was primarily the result of new Annual Dinner and Technology Sales Fundraising events. Fundraising activities (receipts) in 2019 (compared to 2018) included the Annual Golf Tournament (\$29,825 and \$23,261), Mardi Gras Event (\$19,880 and \$28,861), Josh Crews Gala Event (\$44,171 and \$36,613), Stuff Bus (\$13,736 and \$12,875), and others.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

The following is a summary of changes in net position for the fiscal years:

	For the Years Ended June 30,		
	2019	2018	2017
Operating Revenues:			
Contributions, donations and corporate support	\$ 256,480	\$ 372,168	\$ 202,996
State grants	218,960	164,079	103,974
Fundraising	189,284	138,957	88,714
Total operating revenues	664,724	675,204	395,684
Operating Expenses:			
Program services	365,692	400,399	292,389
Support services	321,150	230,426	102,736
Total operating expenses	686,842	630,825	395,125
Operating income	(22,118)	44,379	559
Nonoperating Revenues:			
Investment income	141,500	81,499	46,163
Increase in net position	119,382	125,878	46,722
Net Position , beginning of year	2,683,351	2,557,473	2,510,751
Net Position , end of year	\$ 2,802,733	\$ 2,683,351	\$ 2,557,473

The Foundation's primary program service expenses were varied in 2019 and 2018. Overall program service expenses decreased from \$400,399 in 2018 to a total of \$365,692 in 2019. Quarterly reimbursements to the School District for salaries and benefits increased by 28% due to an added employees in 2019 and totaled \$174,572, compared to \$126,070 incurred in 2018. 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 \$20,781 during 2019 and totaled \$62,160, compared to \$41,379 one year earlier.

Overall, the Foundation's operating expenses totaled \$686,842 in 2019, which is consistent and comparable to the \$630,825 in 2018, and the \$447,284 incurred in 2017.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

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

	For the Years Ended June 30,		
	2019	2018	2017
Operating Expenses			
Program Services:			
Innovation mini grants	\$ 39,810	\$ 50,452	\$ 55,368
HS High Tech	7,635	18,047	-
Flagship schools	53,292	31,971	62,293
Take Stock in Children	83,555	91,525	-
STEM Learning program	-	-	9,000
	<u>184,292</u>	<u>191,995</u>	<u>137,276</u>
Scholarship and Tuition Reimbursements:			
Take Stock in Children	55,618	67,081	110,937
Community scholarships	-	516	20,200
Senior Scholarships	103,850	96,450	-
Tommy Tant Memorial Scholarship	11,920	9,400	-
Connect Bus	196	11,395	-
Senior Scholarship Expense	419	7,204	-
Employee Assistance	-	2,104	-
Other scholarships	-	207	-
	<u>172,003</u>	<u>194,357</u>	<u>131,137</u>
Other Programs:			
District Initiatives	-	-	5,305
Back 2 School	665	8,792	-
Teacher of the Year	2,596	3,456	-
Stem Learning	1,865	-	-
Stuff Bus	4,271	1,799	18,671
	<u>9,397</u>	<u>14,047</u>	<u>23,976</u>
Total program services	<u>365,692</u>	<u>400,399</u>	<u>292,389</u>
Support Services:			
General and administrative	258,990	189,047	66,175
Fundraising:			
Golf tournament	17,251	8,292	12,858
Mardi Gras	5,989	607	10,597
Josh Crews Gala	6,222	-	8,412
Josh Crews Writing	1,211	10,739	-
Picnic in the Park	-	-	2,726
Special Events	718	6,237	-
Annual Dinner	14,454	-	-
Technology Expense	12,339	-	-
Entertainment Services	3,360	3,304	-
Catering/ Waitstaff	616	11,641	-
Other	-	559	1,968
Total support services	<u>321,150</u>	<u>230,426</u>	<u>102,736</u>
Total operating expenses	<u>\$ 686,842</u>	<u>\$ 630,825</u>	<u>\$ 395,125</u>

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018
(Continued)

Amounts expensed on acquiring prepaid student tuition scholarships, totaled \$55,618 in 2019, \$83,794 of which was actual dollars spent, compared to \$67,081 in 2018, \$58,014 of which was actual dollars spent. 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.

Cash Flows

Net cash provided by operating activities decreased by \$183,140 in 2019 and totaled \$20,897, compared to \$204,037 in 2018 and \$42,633 in 2017. The decrease in 2019 was primarily related to the decrease in cash from contributions, donations and other support.

Net cash from investing activities decreased due to being redistributed to align with the investment policy set by the finance committee. The balance was \$28,297 in 2019, compared to amounts produced in investing activities in the prior year totaling \$404,013. The increase in 2018 was attributed to the transfer of a CD into the LPL investment account for \$404,013. The Foundation's uses typically include amounts paid to the Florida Prepaid College Foundation for prepaid student tuition contracts (\$16,206 in 2019, \$67,081 in 2018, and \$88,795 in 2017, and actual dollars spent in 2019 of \$100,000, compared to \$58,014 in 2018). 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 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 2019, compared with 47,506 at the end of June 2018. The number of unemployed workers dropped from 2,040 (or 4.3%) at the end of June 2018, to 2,040 (or 4.3%) at the end of June 2019.

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, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 148,311	\$ 74,463
Accounts and grants receivable, net	27,143	16,445
Restricted assets:		
Cash and cash equivalents	608	25,262
Total current assets	176,062	116,170
Non-current assets		
Investments	-	236,604
Restricted assets:		
Florida prepaid scholarships	533,979	505,153
Investments	2,185,365	1,919,352
Total non-current assets	2,719,344	2,661,109
Total Assets	\$ 2,895,406	\$ 2,777,279
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 38,944	\$ 56,308
Due to Flagler County District School Board	53,729	37,620
Total Liabilities	\$ 92,673	\$ 93,928
<u>NET POSITION</u>		
Restricted:		
Nonexpendable	\$ 1,519,559	\$ 1,519,559
Expendable	1,254,715	844,336
Unrestricted	28,459	319,456
Total Net Position	\$ 2,802,733	\$ 2,683,351

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, 2019 AND 2018**

	2019	2018
Operating revenues		
Contributions, donations and support	\$ 256,480	\$ 372,168
State grants	218,960	164,079
Fundraising	189,284	138,957
Total operating revenues	664,724	675,204
Operating expenses		
Program services:		
District grants	184,292	191,995
Scholarships and tuition reimbursements	172,003	194,357
Other programs	9,397	14,047
Total program services	365,692	400,399
Support services:		
General and administrative	258,990	189,047
Fundraising	62,160	41,379
Total support services	321,150	230,426
Total operating expenses	686,842	630,825
Operating income (loss)	(22,118)	44,379
Nonoperating revenues (expenses)		
Investment income	141,500	81,499
Change in net position	119,382	125,878
Net position, beginning of year	2,683,351	2,557,473
Net position, end of year	\$ 2,802,733	\$ 2,683,351

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, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Cash received from contributions and donations	\$ 256,480	\$ 372,168
Cash received from fundraising	189,284	138,957
Cash received from grants	208,262	163,778
Cash paid for Flagler School District reimbursements	(180,752)	(169,950)
Cash paid for scholarship awards and grants	(113,863)	(125,748)
Cash paid for other programs	(9,397)	(14,047)
Cash paid for fundraising	(62,160)	(41,379)
Cash paid for administrative costs	(266,957)	(119,742)
Net cash provided by operating activities	20,897	204,037
Cash flows from investing activities		
Purchase of prepaid scholarships	(83,794)	(58,014)
Sales (purchases) of investments	105,342	(346,398)
Investment income	6,749	399
Net cash provided by (used in) investing activities	28,297	(404,013)
Net increase (decrease) in cash and cash equivalents	49,194	(199,976)
Cash and cash equivalents, beginning of year	99,725	299,701
Cash and cash equivalents, end of year	\$ 148,919	\$ 99,725
Reconciliation of operating income to net cash provided by (used in) operating activities		
Cash flows from operating activities		
Operating income	\$ (22,118)	\$ 44,379
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Amortization of prepaid tuition contracts	54,968	67,081
Changes in assets and liabilities		
Decrease (Increase) in accounts receivable	(10,698)	(301)
Increase (Decrease) in accounts payable and accrued expenses	(17,364)	55,258
Increase (Decrease) in due to Flagler County		
District School Board	16,109	37,620
Total adjustments	43,015	159,658
Net cash provided by operating activities	\$ 20,897	\$ 204,037
Cash and cash equivalents reported as:		
Unrestricted	\$ 148,311	\$ 74,463
Restricted	608	25,262
	\$ 148,919	\$ 99,725

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, 2019 AND 2018

(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, 2019 AND 2018

(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, 2019 AND 2018

(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, 2019 AND 2018

(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, 2019 and 2018, 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.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

(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, 2019 and 2018.

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, 2019			
	Level 1	Level 2	Level 3	Total
Money Markets	\$ 26,077	\$ -	\$ -	\$ 26,077
Mutual Funds	2,159,288	-	-	2,159,288
Total assets at fair value	<u>\$ 2,185,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,185,365</u>

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

	Fair Value Measurements as of June 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

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 \$2,185,365 and \$1,919,352 at June 30, 2019 and 2018, 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.

(3) **Accounts Receivable:**

At June 30, 2019 and 2018 accounts receivable consisted exclusively of amounts due from state and other grantor agencies totaling \$27,143 and \$16,445, 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, 2019 and 2018, contributions of \$83,794 and \$58,014, respectively, were made by the Foundation to acquire contracts from the FPCF.

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

(4) **Prepaid Tuition Contracts:** (Continued)

The Foundation's balance of prepaid student tuition contracts as of June 30, 2019 and 2018, consists of the following:

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
Scholarships acquired during the year:	
Contracts purchased	83,794
Scholarship credits used by students	(54,968)
Foundation prepaid scholarships as of June 30, 2019	\$ 533,979

The total plan value of prepaid student tuition contracts held by the FPCF for the Foundation as of June 30, 2019 and 2018, consists of the following:

	2019	2018
FPCF total plan value of prepaid scholarships	\$ 1,067,958	\$ 1,005,301
Less FPCF portion	(533,979)	(500,148)
Total Foundation prepaid scholarships	\$ 533,979	\$ 505,153

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

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, 2019 and 2018:

	2019	2018
Florida Prepaid College Foundation Scholarships	\$ 533,979	\$ 505,153
Robert Osner Kiwanis Scholarship Endowment Fund	292,335	242,669
Take Stock in Children	76,140	-
Flagship Schools	48,949	-
Stuff Bus Project	53,164	43,699
Community Outreach Project	27,318	12,953
Bernard L. Axelrod Endowment Fund	197,261	16,991
Senior Scholarship	7,727	9,910
Tommy Tant Memorial Scholarship	1,760	5,563
Connect Bus	13,409	3,605
Employee Assistance Program	2,514	1,368
Josh Crews writing Project	159	960
Teacher of the Year Program	-	775
Teacher Grants	-	690
Total net position restricted-expendable	\$ 1,254,715	\$ 844,336

FLAGLER COUNTY EDUCATION DIRECT-SUPPORT ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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, 2019 and 2018:

	2019	2018
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	\$ 1,519,559	\$ 1,519,559

(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, 2019 and 2018, 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 and other miscellaneous expenses in the amount of \$180,752 and \$100,342, respectively. At June 30, 2019 and 2018, the amount due to Flagler County District School Board was \$53,729 and \$37,620, respectively.

(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, 2019. 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, 2019, 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 23, 2019.

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:

2019-001 – Reconciliation of Account Balances

We noted amounts for scholarship credits used by students were not recorded. Such amounts should have been properly recorded for the year-ended June 30, 2019. We also noted amounts for a completed software conversion project were not moved from prepaid expenses to expenses. Such amounts should have been properly recorded for the year-ended June 30, 2019. We also noted amounts for the fourth quarter TSIC salaries reimbursement were not recorded. Such amounts should have been properly recorded for the year-ended June 30, 2019. 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*.

Flagler County Education Direct-Support Organization, Inc.'s 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.

James Moore & Co., P.L.

Daytona Beach, Florida
August 23, 2019

MANAGEMENT'S RESPONSE TO FINDINGS

2019-001 – Reconciliation of Account Balances

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