

**FOUNDATION FOR
ORANGE COUNTY PUBLIC
SCHOOLS, INC.**

**Financial Statements
and Supplementary
Information**

**For The Years Ended
June 30, 2012 and 2011**

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MKA
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Foundation for Orange County Public Schools, Inc.

We have audited the accompanying financial statements of the Foundation for Orange County Public Schools, Inc. (a nonprofit Foundation), a component unit of the Orange County District School Board, as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Foundation for Orange County Public Schools, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for Orange County Public Schools, Inc. as of June 30, 2012 and 2011, and the changes in financial positions and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, on our consideration of the Foundation for Orange County Public Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 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.

Moss, Krusick & Associates, LLC

September 27, 2012
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Management's Discussion and Analysis

As financial management of the Foundation for Orange County Public Schools, 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 year that ended on June 30, 2012. 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 \$2,227,631 at the close of the 2012 fiscal year compared to \$2,167,097 the previous year. Total assets exceeded liabilities by \$1,899,655 (*combined net assets*) compared with \$1,821,171 one year earlier.
- The Foundation's combined net assets increased by \$78,484 (4.31%). The 2011 restricted portion of net assets totaling \$293,693 increased by \$26,519 during the current year primarily due to current year revenues exceeding the release of restrictions on program funds. The unrestricted portion of net assets totaling \$1,579,443 represents unrestricted amounts that may be used to meet the Foundation's ongoing obligations for its discretionary program activities.
- The Foundation received corporate and state-funded grants totaling \$206,444 in support of its various activities and programs. These and other Foundation funds were used to finance mini-grants to teachers of the Orange County school district and to fund other Foundation programs.
- During 2012, the Foundation provided \$65,732 in prepaid college tuition scholarships from its account at the Florida Prepaid College Foundation, compared to \$72,925 provided in 2011.
- The Foundation's fundraising events produced revenues of \$186,307 in fiscal year 2012, compared to \$127,020 in fiscal year 2011.

Overview of the Financial Statements

The Foundation presents its financial statements for the fiscal year ended June 30, 2012, which included for comparative purposes the fiscal year ended June 30, 2011. The Foundation is a direct support Foundation and component unit of the Orange County District School Board (a governmental agency). 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 the notes to the financial statements.

The objective of the Management's Discussion and Analysis is to focus on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and the accompanying notes.

The financial statements include the following:

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows
- Statements of Functional Expenses
- Notes to Financial Statements

The financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Foundation's overall financial status, including its business-type activities. These statements report information about the Foundation using full accrual accounting methods and an 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 debt (when applicable) are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported.

The financial statements also include notes which 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.

Statement of Net Assets

Net Assets. As noted previously, net assets may serve over time as a useful indicator of the Foundation's financial position. This year, the Foundation's combined total assets exceeded liabilities (net assets) by \$1,899,655 at the end of 2012 (compared to \$1,821,171 at the end of 2011), which is summarized as follows:

| Net Assets | | | | |
|--------------------------|---------------------|---------------------|--------------------------------|---------------------------|
| June 30, 2012 and 2011 | | | | |
| | <u>2012</u> | <u>2011</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
| Assets: | | | | |
| Current and other assets | \$ 2,277,631 | \$ 2,167,097 | \$ 110,534 | 5.10% |
| Total assets | <u>2,277,631</u> | <u>2,167,097</u> | <u>110,534</u> | <u>5.10%</u> |
| Liabilities: | | | | |
| Current liabilities | <u>377,976</u> | <u>345,926</u> | <u>32,050</u> | <u>9.26%</u> |
| Total liabilities | <u>377,976</u> | <u>345,926</u> | <u>32,050</u> | <u>9.26%</u> |
| Net assets: | | | | |
| Unrestricted | 1,675,612 | 1,623,832 | 50,780 | 3.13% |
| Restricted: | | | | |
| Expendable | 169,574 | 142,870 | 26,704 | 18.70% |
| Non-expendable | 54,469 | 54,469 | - | - |
| Total net assets | <u>\$ 1,899,655</u> | <u>\$ 1,821,171</u> | <u>\$ 78,484</u> | <u>4.31%</u> |

Total assets increased this year by \$110,534 to a total of \$2,277,631, or an increase of 5.10%. Total assets consist primarily of cash and cash equivalents, which make up 41.39% of total assets, short term investments, which make up 3.81%, and prepaid scholarships held by the Florida College

Prepaid Scholarship Foundation which makes up 54.61%. This amount reflects the primary activities of the Foundation in the areas of scholarships and program enhancement.

The Foundation's total liabilities consist of \$14,373 in other liabilities for the current period compared to prior year amounts totaling \$30,223, and \$54,100 in deferred revenues collected in advance of being earned by the entity for 2012 compared to \$38,133 at June 30, 2011. Restricted net assets of the Foundation totaled \$224,043 at the end of 2012, compared to \$197,339 in 2011. These funds are composed of nonexpendable endowment contributions of \$54,469 and other expendable, but restricted, donor contributions totaling \$169,574, which may only be expended for donor pre-designated uses.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in Net Assets. While the statement of net assets shows a snapshot of the Foundation's financial position at the end of the fiscal year, the statement of changes in net assets provides answers as to the nature and sources of those changes. During 2012, the Foundation's total operating revenues increased by \$29,890 to a total of \$803,611, compared to \$773,721 in the prior year. The majority of the increase in revenues is due to a significant increase in individual contributions and an increase in fundraising event revenue, offset by a reduction in grant revenue due to the timing in which the grant monies were received. During 2012, approximately 37.85% of the Foundation's revenue was derived from community financial support, compared with 37.46% in the previous year. Grants totaled \$206,444 and made up 25.69% of operating revenue in 2012, compared to \$242,058 in 2011, which made up 31.28% of operating revenue. The decrease was attributed to the timing of when grants were received for the current year.

Expenses for mini-grants decreased from \$229,294 in 2011 to \$189,883 in 2012, which represents a decrease of 17.19%. During 2012, the Foundation's fundraising and general and administrative costs increased by \$58,794. Fundraising and administrative expenses totaled \$194,427 in 2012.

The following is a summary of changes in net assets for the fiscal year:

Revenues, Expenses and Changes in Net Assets For the Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|--|------------------|------------------|--------------------------------|---------------------------|
| Operating Revenues: | | | | |
| Contributions, donations and corporate support | \$ 304,174 | \$ 289,818 | \$ 14,356 | 4.95% |
| Grants | 206,444 | 242,058 | (35,614) | (14.71%) |
| Fundraising | 186,307 | 127,020 | 59,287 | 46.68% |
| Other revenues | <u>106,686</u> | <u>114,825</u> | <u>(8,139)</u> | <u>(7.09%)</u> |
| Total operating revenues | <u>803,611</u> | <u>773,721</u> | <u>29,890</u> | <u>3.86%</u> |
| Operating expenses: | | | | |
| Program expenses | 530,515 | 551,612 | (21,097) | (3.82%) |
| Support services | <u>194,612</u> | <u>135,633</u> | <u>58,979</u> | <u>43.49%</u> |
| Total operating expenses | <u>725,127</u> | <u>687,245</u> | <u>37,882</u> | <u>5.51%</u> |
| Change in net assets | <u>\$ 78,484</u> | <u>\$ 86,476</u> | <u>\$ (7,992)</u> | <u>(9.24%)</u> |

Statement of Cash Flows

Net cash provided by operating activities amounted to \$111,706 for the past year, compared to net cash provided of \$106,954 in the previous year. Increases in operating cash receipts of \$88,432 were offset by increases in operating cash disbursements of \$83,680. Investing cash flows in the current year provided cash of \$2,134 as a result of a sale of two Florida Prepaid scholarships, offset by purchases of investments. There were no cash flows used in investing activities in the previous year.

Economic Factors that will Affect the Future

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 Foundation. 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 Orange County, FL are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a county wide unemployment rate of 8.6% at the end of June 2012, which is lower than the 10.4% rate experienced one year earlier.
- Inflationary trends for Orange 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 Director, The Foundation for Orange County Public Schools, 445 W. Amelia Street, Suite 901, Orlando, Florida 32801.

Foundation for Orange County Public Schools, Inc.

STATEMENTS OF NET ASSETS

ASSETS

| | June 30, | |
|--|--------------|--------------|
| | 2012 | 2011 |
| ASSETS | | |
| Cash and cash equivalents | \$ 942,782 | \$ 828,942 |
| Investments | 86,797 | 75,156 |
| Accounts receivable | - | 5,728 |
| Florida prepaid tuition scholarships | 1,243,865 | 1,252,605 |
| Prepaid expenses | 3,695 | 3,496 |
| Property and equipment, net of accumulated depreciation of \$9,886 and \$9,208, respectively | 492 | 1,170 |
| Total assets | \$ 2,277,631 | \$ 2,167,097 |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|--------------|--------------|
| LIABILITIES | | |
| School/districts assets held | \$ 309,503 | \$ 277,570 |
| Other liabilities | 14,373 | 30,223 |
| Deferred revenue | 54,100 | 38,133 |
| Total liabilities | 377,976 | 345,926 |
| NET ASSETS | | |
| Unrestricted | 1,675,612 | 1,623,832 |
| Restricted: | | |
| Expendable | 169,574 | 142,870 |
| Non-expendable | 54,469 | 54,469 |
| Total net assets | 1,899,655 | 1,821,171 |
| Total liabilities and net assets | \$ 2,277,631 | \$ 2,167,097 |

The accompanying notes are an integral part of these financial statements.

Foundation for Orange County Public Schools, Inc.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For The Years Ended June 30,

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Contributions | \$ 183,558 | \$ 137,110 |
| Fundraising events | 186,307 | 127,020 |
| Grants | 206,444 | 242,058 |
| Read 2 succeed | 86,950 | 96,844 |
| ALP dividend | 843 | 141 |
| Unrealized gain from scholarships | 80,620 | 80,242 |
| Realized loss on transfer of scholarships | (9,628) | - |
| Other income | 34,851 | 34,442 |
| In kind donations | 33,666 | 55,864 |
| Total revenue and support | <u>803,611</u> | <u>773,721</u> |
| | | |
| Program services: | | |
| Read 2 succeed | 94,084 | 71,205 |
| District support | 180,816 | 94,605 |
| Grants | 189,883 | 229,294 |
| Orange County scholars | 65,732 | 79,972 |
| Middle school kids | - | 10,422 |
| Count me in | - | 64,364 |
| ALP memorial scholarship | - | 1,750 |
| Support services: | | |
| Fundraising | 106,779 | 73,753 |
| General and administrative | 87,833 | 61,880 |
| Total expenses | <u>725,127</u> | <u>687,245</u> |
| | | |
| Change in net assets | <u>78,484</u> | <u>86,476</u> |
| | | |
| Net assets, beginning of year | <u>1,821,171</u> | <u>1,734,695</u> |
| | | |
| Net assets, end of year | <u>\$ 1,899,655</u> | <u>\$ 1,821,171</u> |

The accompanying notes are an integral part of these financial statements.

Foundation for Orange County Public Schools, Inc.

STATEMENTS OF CASH FLOWS

For The Years Ended June 30,

| | 2012 | 2011 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contributions | \$ 189,286 | \$ 137,495 |
| Cash received from fundraising events | 187,661 | 95,953 |
| Cash received from grants and programs | 206,444 | 242,058 |
| Cash received from Read 2 Succeed | 86,950 | 96,844 |
| Cash received from other | 67,284 | 76,843 |
| Cash paid for program expenses | (455,124) | (430,068) |
| Cash paid for fundraising events | (91,982) | (57,897) |
| Cash paid for administrative costs | (78,813) | (54,274) |
| | <u>111,706</u> | <u>106,954</u> |
| CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments, net | (11,866) | - |
| Proceeds from transfer of scholarships | 14,000 | - |
| | <u>2,134</u> | <u>-</u> |
| CASH PROVIDED BY INVESTING ACTIVITIES | | |
| Net increase in cash and cash equivalents | 113,840 | 106,954 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>828,942</u> | <u>721,988</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 942,782</u> | <u>\$ 828,942</u> |
| RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 78,484 | \$ 86,476 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 679 | 979 |
| Unrealized (gain) loss on investments | 320 | (11,230) |
| Realized gain on investments | (95) | (1,847) |
| Unrealized gain on prepaid scholarships | (80,620) | (80,242) |
| Florida prepaid tuition scholarships provided | 65,732 | 72,925 |
| Realized loss on transfer of scholarships | 9,628 | - |
| (Increase) decrease in assets: | | |
| Accounts receivable | 5,728 | 385 |
| Prepaid expenses | (200) | (3,496) |
| Increase (decrease) in liabilities: | | |
| School/district assets held | 31,929 | 61,674 |
| Other liabilities | (15,846) | 12,397 |
| Deferred revenue | 15,967 | (31,067) |
| | <u>\$ 111,706</u> | <u>\$ 106,954</u> |
| CASH PROVIDED BY OPERATING ACTIVITIES | | |

The accompanying notes are an integral part of these financial statements.

Foundation for Orange County Public Schools, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2012

| | Program Services | | | | | | Support Services | | | Total Expenses |
|------------------------------------|------------------|------------------|---------------|-----------|------------|------------|------------------|----------------------------|------------|----------------|
| | Read 2 | District Support | Orange County | | | Total | Fundraising | General and Administrative | | |
| | | | Support | Grants | Scholars | | | Administrative | | |
| Salaries and payroll taxes | \$ 65,395 | \$ 71,572 | \$ 48,685 | \$ - | \$ - | \$ 185,652 | \$ 33,572 | \$ 50,121 | \$ 269,345 | |
| Employee health insurance | 3,078 | 5,663 | 7,984 | - | - | 16,725 | 2,251 | 3,711 | 22,687 | |
| Retirement benefits and fees | - | - | - | - | - | - | - | 1,500 | 1,500 | |
| Insurance | 329 | - | 211 | - | - | 540 | 131 | 2,844 | 3,515 | |
| Rent | 8,217 | 8,217 | 8,217 | - | - | 24,651 | - | 8,217 | 32,868 | |
| Professional services | 1,584 | 1,545 | 1,545 | - | - | 4,674 | - | 2,673 | 7,347 | |
| Bank charges | - | - | - | - | - | - | - | 447 | 447 | |
| Printing and office supplies | 852 | 649 | 743 | - | - | 2,244 | 1,132 | 6,368 | 9,744 | |
| Travel | 372 | 85 | - | - | - | 457 | - | 244 | 701 | |
| Professional development | - | - | - | - | - | - | - | 430 | 430 | |
| Communications | 1,500 | - | - | - | - | 1,500 | - | - | 1,500 | |
| Meetings/conferences | - | - | - | - | - | - | - | 2,650 | 2,650 | |
| Events | - | - | - | - | - | - | 66,491 | - | 66,491 | |
| Memberships | - | - | - | - | - | - | - | 3,837 | 3,837 | |
| Teacher training | - | 1,498 | - | - | - | 1,498 | - | - | 1,498 | |
| Teacher grants | - | - | 119,693 | - | - | 119,693 | - | - | 119,693 | |
| Scholarships | - | - | - | 65,732 | - | 65,732 | - | - | 65,732 | |
| Teacher of the year | - | 5,496 | - | - | - | 5,496 | - | - | 5,496 | |
| Newsletter/mailling | - | - | - | - | - | - | - | 118 | 118 | |
| Program support | - | - | 282 | - | - | 282 | - | - | 282 | |
| Website support | 2,523 | 2,523 | 2,523 | - | - | 7,569 | 2,523 | 3,281 | 13,373 | |
| School support | - | 83,568 | - | - | - | 83,568 | - | - | 83,568 | |
| Literacy materials | 10,149 | - | - | - | - | 10,149 | - | - | 10,149 | |
| Miscellaneous | 85 | - | - | - | - | 85 | - | 1,392 | 1,477 | |
| Total expenses before depreciation | 94,084 | 180,816 | 189,883 | 65,732 | 530,515 | 530,515 | 106,100 | 87,833 | 724,448 | |
| Depreciation | - | - | - | - | - | - | 679 | - | 679 | |
| Total expenses | \$ 94,084 | \$ 180,816 | \$ 189,883 | \$ 65,732 | \$ 530,515 | \$ 530,515 | \$ 106,779 | \$ 87,833 | \$ 725,127 | |

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

Foundation for Orange County Public Schools, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2011

| | Read 2 | District Support | Program Services | | | | | | Support Services | | Total Expenses |
|------------------------------------|-----------|------------------|------------------|---------------|-----------|-------------|--------------------------|-----------|------------------|----------------|----------------|
| | | | Orange County | Middle School | Kids | Count Me In | ALP Memorial Scholarship | Total | Fundraising | Administrative | |
| | | | | | | | | | | | |
| Salaries and payroll taxes | \$ 37,813 | \$ 35,163 | \$ 5,954 | \$ 4,195 | \$ 47,046 | \$ - | \$ 165,974 | \$ 23,558 | \$ 32,808 | \$ 222,340 | |
| Employee health insurance | 2,724 | 2,912 | 1,093 | 264 | 3,216 | - | 16,854 | 1,640 | 2,309 | 20,803 | |
| Retirement benefits and fees | 250 | 250 | - | - | 250 | - | 1,000 | 250 | 250 | 1,500 | |
| Insurance | 71 | - | - | 25 | 131 | - | 338 | 15 | 2,502 | 2,855 | |
| Rent | 6,356 | 6,356 | - | - | 6,356 | - | 25,424 | - | 6,356 | 31,780 | |
| Professional services | 1,133 | 1,133 | - | 1,133 | 1,133 | - | 5,665 | - | 1,284 | 6,949 | |
| Bank charges | - | - | - | - | - | - | - | - | 1,128 | 1,128 | |
| Printing and office supplies | 684 | 1,979 | - | 24 | 679 | - | 3,859 | 876 | 1,717 | 6,452 | |
| Travel | 68 | - | - | - | - | - | 68 | - | 417 | 485 | |
| Professional development | - | - | - | - | 20 | - | 20 | - | 406 | 426 | |
| Marketing | - | - | - | - | - | - | - | 6 | 1,250 | 1,256 | |
| Communications | 9,419 | - | - | 2,296 | 2,296 | - | 16,307 | 2,436 | - | 18,743 | |
| Meetings/conferences | - | - | - | - | - | - | - | - | 4,037 | 4,037 | |
| Events | - | - | - | - | 1,237 | - | 1,903 | 41,568 | 3 | 43,474 | |
| Memberships | - | - | - | - | - | - | - | - | 3,727 | 3,727 | |
| Teacher training | - | 22,184 | - | - | - | - | 22,184 | - | - | 22,184 | |
| Teacher grants | - | - | - | - | - | - | 172,160 | - | - | 172,160 | |
| Scholarships | - | - | 72,925 | - | - | 1,500 | 74,425 | - | - | 74,425 | |
| Teacher of the year | - | 8,000 | - | - | - | - | 8,000 | - | - | 8,000 | |
| Newsletter/mailing | - | - | - | - | - | - | - | - | 159 | 159 | |
| Program support | - | - | - | - | - | - | 471 | - | - | 471 | |
| Website support | 2,910 | 2,910 | - | 2,000 | 2,000 | - | 12,730 | 2,910 | 3,074 | 18,714 | |
| School support | - | 13,718 | - | - | - | - | 13,718 | - | - | 13,718 | |
| Literacy materials | 9,732 | - | - | - | - | - | 9,732 | - | - | 9,732 | |
| Miscellaneous | 45 | - | - | - | - | 250 | 295 | - | 453 | 748 | |
| Total expenses before depreciation | 71,205 | 94,605 | 79,972 | 9,937 | 64,364 | 1,750 | 551,127 | 73,259 | 61,880 | 686,266 | |
| Depreciation | - | - | - | 485 | - | - | 485 | 494 | - | 979 | |
| Total expenses | \$ 71,205 | \$ 94,605 | \$ 79,972 | \$ 10,422 | \$ 64,364 | \$ 1,750 | \$ 551,612 | \$ 73,753 | \$ 61,880 | \$ 687,245 | |

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

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE A – ORGANIZATION

The Foundation for Orange County Public Schools, Inc. (the "Foundation") is a not-for-profit corporation, which provides financial assistance and support for Orange County, Florida Public Schools and the students and educators within the school systems. The Foundation is considered a component unit of the Orange County District School Board and provides this assistance and support through direct contributions to schools within the district.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting and Presentation

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 has followed the financial presentation model of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. 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 are recognized when earned, and expenses are recorded when an obligation to pay has been incurred.

2. 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. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been determined by the Internal Revenue Service not to be a private foundation. There was no unrelated business income for the current year.

Management has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. Therefore, no reserves for uncertain income tax positions have been recorded. The Foundation remains subject to examination by the Internal Revenue Service for the years ended June 30, 2010 through June 30, 2012.

4. Revenue Recognition

The Foundation records contributions received and promises to give to the Foundation that are, in substance, unconditional as unrestricted or restricted (expendable or non-expendable) support depending on the existence or nature of any donor imposed restrictions. When a restriction expires, restricted-expendable net assets are reclassified to unrestricted net assets.

5. Property and Equipment - Net

It is the Foundation's policy to capitalize property and equipment. Property and equipment is initially recorded at cost or estimated fair value if contributed. Expenditures for repairs and maintenance are expensed as incurred. Assets are being depreciated using the straight-line method over a five year useful life.

6. Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting service benefits.

7. Deferred Revenue

Revenues collected for future events are reported as deferred revenue and recognized in future periods when the event occurs.

8. Cash and Cash Equivalents

The Foundation considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Investments

Investments consist of open-ended mutual funds and are initially recorded at cost or fair value if contributed. At the balance sheet date, investments are adjusted to fair value as determined by quoted market prices with the adjustment recorded as investment income in the Statements of Revenues, Expenses and Changes in Net Assets.

10. Compensated Absences Payable

The Foundation records a liability for the estimated amounts of compensation for future absences. An accrual for unused vacation pay is recorded in the financial statements as other liabilities, based on pay rates in effect at June 30, 2012.

11. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

12. Fair Value Measurement

The Foundation follows accounting guidance relating to fair value measurements, which establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 -- quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access as of the measurement date.

Level 2 -- inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 -- unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

The asset 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 unobservable inputs.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements

The fair values of mutual funds are based on quoted market prices.

Level 3 Fair Value Measurements

The value of prepaid scholarships is provided by Florida Prepaid College Board's actuarial present value of the future contract value and expense obligations which uses unobservable inputs such as projected tuition increases and projected tuition differential fee increases.

13. Concentration of Credit Risks

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, consist principally of cash and short-term investments. The Foundation's policy is to place its cash investments with high credit quality financial institutions. Cash and cash equivalents consist of bank deposits and short-term investments which, at times, may exceed federally insured limits. The Foundation maintains its cash deposit accounts in institutions which are Federal Deposit Insurance Corporation or National Credit Union Administration insured, which provide coverage on balances up to \$250,000 per depositor per institution. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents.

14. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the time these financial statements were available to be issued on September 27, 2012.

NOTE C – IN KIND DONATIONS

Donated services and facilities that are measurable are recorded as contributions at their fair values at the date of receipt by the Foundation with a corresponding amount recorded as expense. During the years ended June 30, 2012 and 2011, donations of occupancy necessities, event and promotional items in the amounts of \$48,279 and \$55,864, respectively, were received from various donors. During the year ended June 30, 2012, \$14,613 of these donations were recorded within fundraising event revenue. Numerous volunteers provide personnel services to the Foundation. The value of this contributed time is not reflected in these financial statements since they do not meet criteria for recognition.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE D – SCHOOL/DISTRICT ASSETS HELD

The Foundation held funds for use by schools and district programs in the amounts of \$309,503 and \$277,570 at June 30, 2012 and 2011, respectively. The Foundation disburses these funds upon schools' or programs' request.

NOTE E – FLORIDA PREPAID TUITION SCHOLARSHIPS

The Foundation's interest in assets consists of the following:

| | June 30, | |
|----------------------|---------------------|---------------------|
| | 2012 | 2011 |
| Prepaid College Fund | <u>\$ 1,243,865</u> | <u>\$ 1,252,605</u> |

The scholarships consist of funds contributed to the Foundation as part of the Orange County Scholars program. Contributions are matched by the State of Florida, and in previous years recorded as restricted-expendable contribution income by the Foundation on the Statement of Revenues, Expenses and Changes in Net Assets at the time of contribution. The contributions were released from restrictions when the scholarships are paid. During fiscal year 2011, the Foundation determined that the restricted purpose was met when the Foundation purchased the scholarships, and accordingly reclassified previously reported restricted expendable net assets of \$1,478,300 to unrestricted net assets. The funds were used for college scholarships for selected individuals graduating from high school in Orange County.

As the scholarships are awarded, the expenditures are recorded by the Foundation on the Statements of Revenues, Expenses and Changes in Net Assets. Scholarship expense of \$65,732 and \$72,925 was recorded in fiscal year 2012 and 2011, respectively. The assets are adjusted annually to the current value of the scholarships as provided by the Florida Prepaid College Foundation, Inc. The increase in value of \$80,620 and \$80,242 was recorded in fiscal year 2012 and 2011, and was presented respectively, as unrealized gain from scholarships in the Statements of Revenues, Expenses and Changes in Net Assets.

The Foundation transferred two scholarships with a total value of \$23,628 for \$14,000 during 2012, resulting in a realized loss of \$9,628 in the Statements of Revenues, Expenses and Changes in Net Assets.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE F – INVESTMENTS

A summary of investments at June 30, 2012 and 2011 is as follows:

| | <u>2012</u> | | |
|--------------|--------------------------|-----------------------|----------------------------|
| | <u>Original Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain</u> |
| Mutual funds | <u>\$ 69,410</u> | <u>\$ 86,797</u> | <u>\$ 17,387</u> |
| | | | |
| | <u>2011</u> | | |
| | <u>Original Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain</u> |
| Mutual funds | <u>\$ 57,450</u> | <u>\$ 75,156</u> | <u>\$ 17,706</u> |

The fair value of the investments is reflected in the Statements of Net Assets at June 30, 2012 and 2011. Investment income is reported as other income in the Statements of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2012 and 2011 and is summarized as follows:

| | <u>2012</u> | <u>2011</u> |
|------------------------|-----------------|------------------|
| Interest and dividends | \$ 1,865 | \$ 5,588 |
| Realized gain | 95 | 1,847 |
| Unrealized gain (loss) | <u>(319)</u> | <u>11,230</u> |
| | <u>\$ 1,641</u> | <u>\$ 18,665</u> |

NOTE G – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets as of June 30, 2012:

| | <u>Level 1</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------|------------------|---------------------|---------------------|
| Assets: | | | |
| Mutual funds | \$ 86,797 | \$ - | \$ 86,797 |
| Prepaid scholarships | <u>-</u> | <u>1,243,865</u> | <u>1,243,865</u> |
| Total fair value | <u>\$ 86,797</u> | <u>\$ 1,243,865</u> | <u>\$ 1,330,662</u> |

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE G – FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets as of June 30, 2011:

| | <u>Level 1</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------|------------------|---------------------|---------------------|
| Assets: | | | |
| Mutual funds | \$ 75,156 | \$ - | \$ 75,156 |
| Prepaid scholarships | <u>-</u> | <u>1,252,605</u> | <u>1,252,605</u> |
| Total fair value | <u>\$ 75,156</u> | <u>\$ 1,252,605</u> | <u>\$ 1,327,761</u> |

The following table presents changes in the Foundation's Level 3 assets measured at fair value for the years ending June 30:

| | <u>2012</u> | <u>2011</u> |
|----------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 1,252,605 | \$ 1,245,288 |
| Unrealized gain | 80,620 | 80,242 |
| Sales | (23,628) | - |
| Withdrawals | <u>(65,732)</u> | <u>(72,925)</u> |
| Balance, end of year | <u>\$ 1,243,865</u> | <u>\$ 1,252,605</u> |

NOTE H – FUNDRAISING COSTS

The Foundation incurs costs in activities that include fundraising and allocates those costs after determining that it has met the criteria of purpose, audience and content. The following table presents the types of activities where joint costs have been allocated in the Statements of Functional Expenses for the years ended June 30, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|-----------------|------------------|------------------|
| Events | \$ 66,491 | \$ 43,474 |
| Communications | 1,500 | 18,743 |
| Website support | 13,373 | 18,714 |
| Marketing | <u>-</u> | <u>1,256</u> |
| | <u>\$ 81,364</u> | <u>\$ 82,187</u> |

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE I – RESTRICTED-EXPENDABLE FUNDS

Restricted-Expendable funds are available for the following:

| | June 30, | |
|----------------------|------------|------------|
| | 2012 | 2011 |
| Grants | \$ 98,067 | \$ 73,288 |
| Read 2 Succeed | 54,074 | 52,991 |
| ALP Scholarship Fund | 17,434 | 16,591 |
| | \$ 169,574 | \$ 142,870 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

| | For the Year Ended June 30, | |
|----------------------|-----------------------------|------------|
| | 2012 | 2011 |
| Grants | \$ 189,883 | \$ 229,294 |
| Read 2 Succeed | 94,084 | 71,205 |
| Middle School Kids | - | 10,422 |
| ALP Scholarship Fund | - | 1,750 |
| | \$ 283,967 | \$ 312,671 |

During fiscal year 2012, the Foundation determined that all restrictions relating to the Middle School Kids program were met prior to June 30, 2011. Accordingly, the Foundation reclassified previously reported restricted expendable net assets of \$96,354 to unrestricted net assets.

NOTE J – RESTRICTED-NONEXPENDABLE FUNDS

During the year ended June 30, 2000, the Foundation received an endowment (ALP Scholarship Fund) to be used as the donor has stipulated. The principal, \$54,469, must be maintained intact and only the investment income of the fund can be expensed. The fund is for Apopka High School seniors to attend two years of community college. It is the Foundation's policy to maintain these endowment funds in a separate interest bearing savings account.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE K – 401K PROFIT SHARING PLAN

The Foundation established a 401K Profit Sharing Plan effective January 1, 2006 for all qualifying employees. All employees over 21 years of age are eligible to participate in the plan. The Foundation is required to match 100% of the first 4% of the employee's deferred contribution to the plan. Contributions to the profit sharing component of the plan are at the discretion of the Foundation. Employees are immediately vested in their contributions and the matching contributions. As of April 30, 2009, the Foundation amended its plan to temporarily remove the employer stated match; however it still has the option to make a discretionary year end contribution if the Board so designates it. The Foundation provided no matching contributions to the plan for the years ended June 30, 2012 and 2011, respectively.

Partners

W. Ed Moss Jr., CPA
Joe M. Krusick, CPA
James R. Dexter, CPA

**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 Supervisors
Foundation for Orange County Public Schools, Inc.
Orlando, Florida

We have audited the accompanying financial statements of the Foundation for Orange County Public Schools, Inc. (a nonprofit Foundation), as of and for the year ended June 30, 2012, and have issued our report thereon dated September 27, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation for Orange County Public Schools, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation for Orange County Public Schools, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation for Orange County Public Schools, Inc.'s internal control over financial reporting.

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 or 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 entity's financial statements will not be prevented, or detected or corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation for Orange County Public Schools, Inc.'s financial statements are free of 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*.

This report is intended for the information of the management, regulatory agencies of federal and state governments and the Orange County District School Board. It is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

September 27, 2012
Winter Park, Florida

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MANAGEMENT LETTER

To the Board of Directors
Foundation for Orange County Public Schools, Inc.
Orlando, Florida

We have audited the basic financial statements of the Foundation for Orange County Public Schools, Inc. (the "Foundation") as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated September 27, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated September 27, 2012. Disclosures in these reports, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made or violations reported in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Foundation complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No recommendations were made to improve the Foundation's present financial management.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statement); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Foundation for Orange County Public Schools, Inc. was organized pursuant to Chapter 125 and 1013 of the Florida Statutes.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the Foundation did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor for the Foundation's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

September 27, 2012
Winter Park, Florida