

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.

**A COMPONENT UNIT OF THE ORANGE COUNTY
DISTRICT SCHOOL BOARD**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Foundation for Orange County Public Schools, Inc. (the Foundation), a component unit of the Orange County District School Board, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Foundation as of June 30, 2014, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Matters

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2014, on our consideration of the Foundation's internal control over financial reporting and 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Orlando, Florida
November 24, 2014

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

As the leadership of The Foundation for Orange County Public Schools, Inc. (the Foundation), we offer readers of the Foundation's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. This report represents the Foundation's leadership's overview of the organization's health and well-being. We encourage readers to consider this information in conjunction with the independent auditors' report and the basic financial statements included herein.

Financial Highlights

- The Foundation's overall combined net position totaled \$1,117,643 as of the year ended June 30, 2014, as compared to \$1,952,300 as of the year ended June 30, 2013. The change is due to the transfer of Florida Prepaid Foundation scholarships to Valencia Foundation. The Foundation donated 86 prepaid tuition contracts valued at \$858,175 (7,723 hours) to the Valencia College Foundation, which they will award as four-year, prepaid college tuition scholarships to select graduating high school students in Orange County. The Foundation began the Take Stock in Children program in 1996 and purchased these scholarships over the years as part of this program. In 2001, the Foundation separated from the Take Stock in Children program, but continued to serve enrolled students with the last class graduating in 2005. The transferred tuition contracts represent unused hours by students who were assigned scholarships and did not use them in the allotted 10 years. Valencia Foundation now operates the Take Stock in Children program in Orange County and is able to re-distribute these scholarships to deserving students.
- At the end of the school year, an additional 46 scholarships expired (2,172 hours), and the Foundation transferred them back to the Florida Prepaid College Foundation at a \$196,973 loss. The Foundation received \$54,645 for these scholarships, which will be invested to support other programs.
- Unrestricted net position of \$861,525 is available to provide academic program support to Orange County teachers and students, as well as general and administrative support.
- Restricted (Expendable and Nonexpendable) net position of \$249,496 represents funds which have been limited by donors with time restrictions, special purpose restrictions, or are funds that are invested in perpetuity.

**FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Overview of the Financial Statements

A review of the Foundation's statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and the notes to the financial statements helps donor understand the Foundation's overall financial health. It is important to consider how external factors may impact the Foundation's financials (economic trends, stock market performance, state and federal regulations that govern fiscal reporting for non-profits, etc.).

- The statement of net position presents information on all of the Foundation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Foundation's well-being.
- The statement of revenue, expenses and changes in net position shows whether revenues and other support exceeded expenses, which results in either an increase or decrease in net position. All net position changes are reported on an accrual basis, regardless of the timing of the related cash flows. Revenues and expenses are reported in these statements for some items and events that will result in cash flow in future periods, if at all (i.e., unrealized gains and losses on investments).
- The statement of cash flows identifies the changes in cash activity for the period. The primary purpose of this statement is to provide relevant information about cash receipts and cash payments of the Foundation throughout the fiscal year.

Statement of Assets as of June 30, 2014:

Cash and Cash Equivalents	\$ 329,571
Investments	1,164,838
Other Assets	7,140
Florida Prepaid Tuition Scholarships	212,544
Capital Assets, Net of Accumulated Depreciation of \$5,666	6,622
Total Assets	<u>\$ 1,720,715</u>

Statement of Liabilities as of June 30, 2014:

School/Districts Assets Held	\$ 550,425
Accounts Payable and Accrued Expenses	39,147
Deferred Revenue	13,500
Total Liabilities	<u>\$ 603,072</u>

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Statement of Net Position as of June 30, 2014:

Unrestricted	\$ 861,525
Invested in Capital Assets, Net of Related Debt	6,622
Restricted:	
Teacher Grants	57,000
Read to Succeed	50,000
District Support	69,695
ALP Scholarship	18,332
Endowment	54,469
Total Net Position	<u>\$ 1,117,643</u>

Foundation Investment Portfolio Grows

Fiscal year 2014 was the first full year the Foundation's capital reserves and endowed funds were actively managed by an investment firm. As of June 30, 2014, investment holdings accounted for 68% percent of total assets. The purpose of the investment pool is to preserve and enhance the real purchasing power of contributed funds, while providing an earnings stream to support Orange County Public Schools. The value of the Foundation's investments totaled approximately \$1,165,000. That represents an increase of approximately \$525,000 from the previous fiscal year end value of approximately \$640,000. The increase represents net cash transfers to investments of approximately \$400,000 and investment income of approximately \$125,000. The Foundation's finance committee reviews the investment portfolio quarterly with representatives of the investment firm to review the portfolio and asset allocation, analyze performance returns, and determine the annual spending policy.

Liabilities

The largest liability represents the school and district assets held by the Foundation. Accounts payable includes amounts due to vendors as of June 30, 2014 for operating expenses and other commitments of the Foundation. Deferred revenue includes sponsorships received for the 2014 Fore Our Schools Golf Tournament to be held September 13, 2014. There were no long term liabilities as of June 30, 2014.

**FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Statement of Revenues, Expenses and Changes in Net Position:

Management and general expenses, and fundraising expenses are paid from the Foundation's operating budget, which is derived from fundraising events, administrative fees, earned income and annual campaign gifts. Total revenues and expenses for the year ended June 30, 2014, amounted to \$1,915,936 and \$2,750,593, respectively.

Revenues for the year ended June 30, 2014

Contributions	\$ 63,609
Fundraising Events	168,100
Grants	1,212,674
Read to Succeed	213,898
Other Income	42,057
In-Kind Donations	32,925
Total Revenue and Support	<u>\$ 1,733,263</u>

Program services expenses by function for the year ended June 30, 2014

Read2Succeed	\$ 200,880
Teacher Grants	216,728
District Support	1,035,901
Take Stock in Children	25,176
ALP Memorial Scholarship	2,250
Total Program Services Expenses	<u>\$ 1,480,935</u>

Support Services expenses by function for the year ended June 30, 2014

Read to Succeed	\$ 111,163
Fundraising Events	103,347
Other Expenses	2,250
Total Support Services Expenses	<u>\$ 216,760</u>

Revenue Increased 92% Percent

Total revenue for the 2013-2014 fiscal year increased \$899,444 to \$1,733,263. This includes \$250,729 from the School District Education Foundation Matching Grant program, which matched private donations \$1 to \$1, to support the district's programs targeting literacy, teaching quality, STEM and low performing students. Contributions for the year totaled \$63,609.

Foundation Disbursed \$1,480,935 for Program Support and \$858,175 in Scholarships

In addition to raising funds to support eight district-wide initiatives focused on ensuring all kids are ready to learn, improving academic achievement, and ensuring graduation, The Foundation for Orange County Public Schools manages several programs, as listed below. The value of the Florida prepaid tuition scholarships that were transferred to the Valencia Foundation are also included.

**FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Foundation Programs

- Read2Succeed: 526 second graders strengthened their reading fluency skills and 336 first graders increased their vocabulary through the Foundation's Read2Succeed program.
- Middle School Book Clubs: 12 middle schools ran 19 book clubs using e-readers to help build fluency and comprehension skills through pleasure reading for 170 of their reluctant readers.
- Teacher Grants: 271 teachers received almost \$190,000 in classroom grants for STEM, civics, fine arts, classroom libraries, technology and professional development.
- Teach-In: 175 schools participated in Teach-In 2013 welcoming more than 4,500 volunteers who gave more than 8,000 volunteer hours. Volunteers read aloud to our youngest students; shared stories of hobbies, careers, and travel; and gave demonstrations.

District-Run Programs

The Foundation has a lead role in the district-wide Philanthropic Strategic Plan, which outlines eight key initiatives where philanthropic support would significantly improve academic performance. Gifts received through this campaign and other programs not run through the Foundation include the following:

- A City Year Orlando program at Catalina Elementary School;
- Professional development programs targeting Physical Science middle school and Biology high school teachers;
- Healthcare services using a nurse practitioner at Edgewater High School;
- Bridge to STEM, a program teaching gravity, force and motion to kindergartners in 125 classrooms throughout the district;
- An online reading program providing differentiated instruction to at-risk students at Lee Middle School and Edgewater High School;
- Tutors for AVID students at four middle schools;

The Foundation Helps Build Capacity at the School Level

The Foundation managed 35 school and 18 district funds to help schools build their capacity and district programs serve unmet needs. These funds raised \$909,508 during the 2014 fiscal year. Examples of the funds are given below.

- The Homeless Students Support Fund to provide food to students and their families; provide gas cards and city bus passes to get students to school as families moved from one location to another; help find affordable housing for families through the Homeless Services Network's Rapid Re-Housing program; and pay for things like school field trips, clothing, and caps and gowns for seniors – all in an effort to provide some normalcy during a time that was anything but normal for these families.
- The National Academy Foundation (NAF) Fund raises money to support academies in hospitality and tourism, finance, information technology and health sciences. The Central Florida NAF Advisory Board raised \$43,730 to offer scholarships and support programs at 10 high schools and Mid Florida Tech.

**FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

- The three most active school funds were Lake Whitney Elementary School raising \$109,760; Brookshire Elementary School raising \$62,902 and Timber Creek High School Boosters raising \$58,965.

Future Outlook

Established in 1987, the Foundation for Orange County Public Schools identifies, develops and focuses community resources to make a meaningful impact on the success of students and teachers of Orange County Public Schools.

Refocus Foundation Resources

- Discontinuing Orange County's Top Talent event
The Foundation's fundraising events produced revenues totaling \$168,100 in fiscal year 2014, a decline from the previous year's \$197,651. One of the primary reasons for the decline was fewer volunteers requiring more staff time and less sponsorship dollars for the Orange County's Top Talent event. The Foundation produced the Orange County's Top Talent event for the past three years, and while it was successful in showcasing the district's diverse talent at all grade levels, it was not successful in generating enough funds to meet the industry's best practice standards. This event has been discontinued to allow the Foundation to focus its limited resources on other activities.
- Continuing support for district-run initiatives
The Foundation's Board of Directors is committed to building relationships and matching investors' interests with the needs of teachers, schools and the district. District-wide initiatives focus on ensuring all kids are ready to learn, improving academic achievement, ensuring graduation and preparing all students to be career and/or college ready.

Grow Foundation-Run Programs

- Expanding Teacher Grant program
In addition to increasing the amount of grant funds available, the Foundation looks to improve the quality and quantity of grant requests received by teachers that have a measurable impact on student learning.
- Reducing Read2Succeed student wait list
Both volunteers and paid reading assistants work with first and second grade students year-round building vocabulary and fluency skills. There were 527 students on the wait list last year that were not served because there were no volunteers or reading assistants to work with them. Recruiting additional volunteers and raising additional funds for reading assistants will be a focus for the year to serve all qualified students.

Build Capacity at the School Level

- Schools have the ability to run annual campaigns with parents, families and community partners to raise funds for programs, technology and other items teachers need that are not covered in the school's budget. Communications will increase to educate more schools about this opportunity through the Foundation and help current funds reach their potential.

**FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

- The Foundation is working to create a central data base available to district and school accounting/fund personnel to record a donor's comprehensive giving history. Pilot programs will run this year to test the accuracy, compliance and usefulness of such a tool.

Our mission-driven work and financial outcomes shared in this report would not have been possible without the commitment and service of Foundation staff and its dedicated board of directors. During the upcoming year, we will continue to connect teachers and school needs with investors who want to make a sustainable difference. We invite you to contact us to discuss how you can impact public education in Orange County.

Respectfully submitted,

Cynthia Williams
Executive Director
Foundation for Orange County Public Schools
cynthia.williams@ocps.net
407-317-3261

Catherine Hertz
Board of Directors President
Foundation for Orange County Public Schools
chertz@fairwinds.org
(407) 277-5045, ext.51206

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, The Foundation for Orange County Public Schools, 445 W. Amelia Street, Suite 901, Orlando, Florida 32801.

**FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

Cash and Cash Equivalents	\$	329,571
Investments and Deposits		1,164,838
Other Assets		7,140
Florida Prepaid Tuition Scholarships		212,544
Capital Assets, Net of Accumulated Depreciation of \$5,666		<u>6,622</u>
Total Assets	\$	<u><u>1,720,715</u></u>

LIABILITIES AND NET POSITION

LIABILITIES

School/Districts Assets Held	\$	550,425
Accounts Payable and Accrued Expenses		39,147
Deferred Revenue		<u>13,500</u>
Total Liabilities		<u><u>603,072</u></u>

NET POSITION

Unrestricted		861,525
Invested in Capital Assets, Net of Related Debt		6,622
Restricted:		
Teacher Grants		57,000
Read to Succeed		50,000
District Support		69,695
ALP Scholarship		18,332
Non-Spendable Endowment		<u>54,469</u>
Total Net Position		<u><u>1,117,643</u></u>
Total Liabilities and Net Position	\$	<u><u>1,720,715</u></u>

See accompanying Notes to Financial Statements.

**FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014**

OPERATING REVENUE AND SUPPORT

Contributions	\$ 63,609
Fundraising Events	168,100
Grants	1,212,674
Read 2 Succeed	213,898
Other Income	42,057
In-Kind Donations	32,925
Total Operating Revenue and Support	<u>1,733,263</u>

OPERATING EXPENSES

Read 2 Succeed	200,880
Teacher Grants	216,728
District Support	1,035,901
Take Stock in Children	25,176
ALP Memorial Scholarship	2,250
Fundraising	111,163
General and Administrative	103,347
Total Operating Expenses	<u>1,695,445</u>

NET OPERATING INCOME

37,818

NONOPERATING INCOME (EXPENSES)

Unrealized Gain from Florida Prepaid Tuition Scholarships	62,816
ALP Dividend	3,779
Investment Income, net of investment management fees of \$7,956	116,078
Donation of Florida Prepaid Tuition Scholarships	(858,175)
Loss on Transfer of Expired Florida Prepaid Tuition Scholarships	(196,973)
Total Nonoperating Income (Expenses)	<u>(872,475)</u>

CHANGE IN NET POSITION

(834,657)

Net Position - Beginning of Year

1,952,300

NET POSITION - END OF YEAR

\$ 1,117,643

See accompanying Notes to Financial Statements.

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Grantors, Private Contributors and Others	\$ 1,723,765
Cash Paid to Suppliers and Others	<u>(1,462,716)</u>
Net Cash Provided by Operating Activities	<u>261,049</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	(3,001)
Proceeds from Transfer of Expired Florida Prepaid Tuition Scholarships	<u>54,645</u>
Net Cash Provided by Capital and Related Financing Activities	<u>51,644</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(666,341)
Proceeds from Sales of Investments	<u>261,499</u>
Net Cash Used by Investing Activities	<u>(404,842)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(92,149)

Cash and Cash Equivalents - Beginning of Year

421,720

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 329,571

RECONCILIATION OF CHANGE IN NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income	\$ 37,818
Adjustments to Reconcile Change in Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	2,274
Increase (Decrease) in Assets:	
Accounts Receivable	(5,499)
Florida Prepaid Tuition Scholarships	25,176
Increase in Liabilities:	
School/District Assets Held	173,175
Other Liabilities	24,355
Deferred Revenue	<u>3,750</u>
Net Cash Provided by Operating Activities	<u><u>\$ 261,049</u></u>

See accompanying Notes to Financial Statements.

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (OCPS) 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.

Established in 1987, the Foundation serves the 10th largest public school system in the nation and supports more than 187,000 students and 13,000 teachers in 184 schools. The Foundation works hand-in-hand with OCPS to enable successful education by providing schools with support, teachers with tools, and students with care not only to decrease the achievement gap, but to work towards erasing it.

The Foundation focuses on four goals:

- Literacies First: Improve literacies of students through reading at critical points along the educational pathway as identified by professional educators.
- Quality Teaching: Increase opportunities for teachers and administrators to participate in high quality professional development and certification programs.
- Learning Support: Increase resources and rewards for teachers who develop innovative and enriching approaches to helping students learn.
- Engagement: Increase business and community participation with the schools.

Through grants and volunteer programs, the Foundation focuses on preparing students during their education and beyond, helping educators develop professionally, and engaging businesses at multiple levels. It matches these focus areas with resources in core programs, making measurable differences county-wide.

The Foundation is the professional steward of responsibly collecting, managing and distributing donor funds to benefit students throughout the Orange County Public School System. It collaborates with the School Board, corporate donors, the community at-large, and with a network of education-based organizations such as City Year and national Academy Foundation.

Basis of Presentation

The Foundation, being a component unit of a local government, complies with accounting standards established by the Governmental Accounting Standards Board (GASB). The Foundation has implemented GASB No. 34 as amended, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. In accordance with the provisions of GASB 34, the Foundation uses enterprise fund accounting and financial reporting. For financial reporting purposes, the Foundation is presented as a stand-alone enterprise fund.

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Foundation's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses recorded at the time the liability is incurred.

The basic financial statements required for enterprise funds by GASB 34 are: a statement of net assets or a balance sheet; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The Foundation consists of only one fund.

The Foundation distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Foundation's principal ongoing operations. The principal operating revenues of the Foundation are contributions and grants. Operating expenses are those costs incurred in connection with the Foundation's programs. All revenues and expenses not meeting the above criteria are reported as nonoperating revenues and expenses.

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance on reporting deferred outflows and inflows of resources. It also renames the residual of all other amounts presented in the statement of financial position from "net assets" to "net position." The financial statements include the statement of net position, which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Adoption of future GASB standards will include reporting of some items previously reported as assets and liabilities as deferred outflows and inflows of resources.

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.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation was established as a direct support organization of OCPS and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Foundation evaluates its tax positions for uncertainties on a regular basis and has determined it has no material uncertain tax positions as of June 30, 2014. The Foundation recognizes accrued interest and penalties, if any, associated with uncertain tax positions in "operating expenses" in the accompanying financial statements.

The Foundation's tax returns are subject to review and examination by Federal and state authorities. The Foundation is not aware of any activities that would jeopardize its tax-exempt status. The Foundation is not aware of any activities that are subject to tax on unrelated business income or excise taxes. The tax returns for fiscal years ending 2009 to 2012 are open to examination by Federal and state authorities.

Capital Assets

Capital assets consist of property and equipment and are initially recorded at cost or estimated fair value if contributed. Expenditures for repairs and maintenance are expensed as incurred. Capital assets are being depreciated using the straight-line method over a five-year useful life.

Deferred Revenue

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments consist of open-ended mutual funds and are initially recorded at cost or fair value if contributed. At the statement of net position 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 position.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risks

The Foundation's policy is to place its cash with high credit quality financial institutions. Cash and cash equivalents consist of bank deposits which, at times, may exceed federally insured limits. The Foundation maintains its cash deposit accounts in institutions which are insured by either the Federal Deposit Insurance Corporation or the National Credit Union Administration, both of 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.

NOTE 2 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 year ended June 30, 2014, donations of occupancy necessities, event and promotional items in the amounts of \$32,925 were received from various donors. 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.

NOTE 3 SCHOOL/DISTRICT ASSETS HELD

The Foundation held funds for use by schools and district programs in the amount of \$550,425 at June 30, 2014. The Foundation disburses these funds upon request from the schools or programs.

NOTE 4 FLORIDA PREPAID TUITION SCHOLARSHIPS

Florida prepaid tuition scholarships consist of scholarships purchased by the Foundation as part of the Take Stock in Children program. Scholarships, when purchased, are matched by the State of Florida. The funds are to be used for college scholarships for selected individuals graduating from high school in Orange County. As scholarships are awarded, they are recorded as program expense in the accompanying statement of revenues, expense and changes in net position. The prepaid scholarships are adjusted annually to their current value as determined by the Florida Prepaid College Foundation. Amounts used to purchase scholarships which go unused are partially refundable to the Foundation.

**FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 FLORIDA PREPAID TUITION SCHOLARSHIPS (CONTINUED)

In 2001, the Foundation terminated participation in the Take Stock in Children program in support of other mission-critical programs. As a result, during the year ended June 30, 2014, the Foundation donated \$858,175 of Florida Prepaid Tuition Scholarships to Valencia College Foundation (VCF) which participates in the Take Stock in Children program and can distribute the scholarships to deserving students.

In addition, the Foundation transferred \$251,619 of expired scholarships back to the Florida Prepaid College Foundation, Inc. during the year ended June 30, 2014. The Foundation received a refund of \$54,646 for the expired scholarships resulting in a loss of \$196,973 on the transfer which is recorded as a nonoperating expense in the accompanying statement of revenues, expenses and changes in net position. While the Foundation ceased participation in the Take Stock in Children program in 2001, it continues to serve enrolled students who graduated through 2005. During the year ended June 30, 2014, the Foundation awarded scholarships to selected students totaling \$25,176.

NOTE 5 INVESTMENTS AND DEPOSITS

The Foundation had the following investments at June 30, 2014:

	<u>Original Cost</u>	<u>Fair Value</u>
U.S. and International Equities	\$ 521,740	\$ 602,792
Fixed Income	560,509	562,046
Mutual Funds	<u>\$ 1,082,249</u>	<u>\$ 1,164,838</u>

As of June 30, 2014, the Foundation had the following maturities for its mutual bond funds:

	Investment Maturities (in Years)			<u>Fair Value</u>
	<u>< 1 year</u>	<u>1 - 5 years</u>	<u>> 5 years</u>	
Fixed Income	<u>\$ 238,640</u>	<u>\$ 323,406</u>	<u>\$ -</u>	<u>\$ 562,046</u>

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 INVESTMENTS AND DEPOSITS (CONTINUED)

Credit Risk

State law does not limit investment options of the Foundation. The Foundation's primary objectives of the investment will be to preserve and protect the Foundation's assets while providing for long-term growth of principal and income based on the appropriate time horizon, liquidity needs, and risk tolerance of the Foundation. The objective shall be accomplished using a balanced strategy of equity and fixed income securities and cash equivalents.

Due to the inevitability of short-term market fluctuations that may cause variations in investment performance, it is intended that the investment manager will achieve the following objectives over a moving five-year period:

- The total return of the account will be benchmarked against an appropriate "Blended Index."
- The portfolio returns will also be benchmarked against the appropriate peer averages for similar not-for-profit entities with similar risk tolerances.
- The performance of and review of strategies will be evaluated by the Foundation on a quarterly basis and compared to performance of the stated Blended Index to ensure that the objectives will be accomplished.

In addition, the Foundation's investment policy states that there shall be no investments in non-marketable securities and all equities purchases should be traded on U.S. stock exchanges and ADRs.

Concentrations of Credit Risk

The Foundation's investment policy states that the allocation of fixed income and equity investments shall range from 35% - 55% and 45% - 65%, respectively. As of June 30, 2014, the Foundation was in compliance with the investment policy.

As of June 30, 2014, the following investments constitute a credit risk as they are greater than 5% of the Foundation's Investment portfolio:

Ishares High Yield Corporate Bond ETF	\$	80,920
Ishares 1-3 Year Credit Bond ETF	\$	212,312
Spider Barclays Short Term High Yield Bond ETF	\$	238,640

NOTE 6 ENDOWMENT 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 of \$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.



**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Foundation for Orange County Public Schools, Inc. (the Foundation), a component unit of the Orange County District School Board, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose or 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described below that we consider to be a significant deficiency.

Significant Deficiency

Matter:

Professional standards require adequate internal controls over the financial reporting process. During the year ended June 30, 2014, the Foundation's internal controls over its financial reporting process as it specifically relates to the presentation of its financial statements in accordance with GASB and the tracking and reconciliation of amounts reported in net position as unrestricted and restricted were not sufficient to enable accurate reporting under GASB without assistance from the auditors.

Risk:

Lack of adequate controls over the financial reporting process could result in misstatements in the Foundation's financial statements.

Recommendation:

We recommend that the Foundation establish formal policies and procedures for a year-end and period-end closing process to ensure all material adjustments, classifications and disclosures are reflected in the financial statements in accordance with GASB.

Management Response

Historically, the Foundation has relied on external auditors to ensure our financial statements were presented in accordance with the proper financial reporting standards. In light of the current year audit, it was brought to management's attention that the prior year financial statements were presented in a way that did not conform to standards established by the Governmental Accounting Standards Board (GASB), rather were more in line with standards promulgated by the Financial Accounting Standards Board (FASB). After consultations with our current external auditors, this issue has been corrected so that our 2014 audited financial statements conform to GASB reporting standards. This issue did not impact the financial data contained in our prior year financial statements, only the financial statement presentation and related disclosures.

Management acknowledges that more precise tracking of restricted and unrestricted funds is necessary. The Foundation over-reported restricted funds by approximately \$131,000, which instead should have been reported as unrestricted funds; however, this issue has been corrected in our 2014 audited financial statements.

In an effort to strengthen our internal controls over financial reporting, the Foundation has retained the services of a CPA firm to develop policies and procedures for the Foundation. Policies and procedures for daily activities were developed during the year ended June 30, 2014. In the fiscal year ending June 30, 2015, this engagement has been extended to developing month-end and year-end closing procedures, which will include monthly reconciliations of restricted net assets.

Auditors' Responsibility for Management's Response

The Foundation's response to the finding identified in our audit are described in the accompanying report was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation’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 Foundation’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Orlando, Florida
November 24, 2014

FOUNDATION FOR ORANGE COUNTY PUBLIC SCHOOLS, INC.
A COMPONENT UNIT OF THE ORANGE COUNTY SCHOOL DISTRICT BOARD
SCHEDULE OF FUNCTIONAL EXPENSES
JUNE 30, 2014

	Program Services					Support Services		Total Expenses	
	Read 2 Succeed	Teacher Grants	District Support	Take Stock in Children	ALP Memorial Scholarship	Total	Fundraising		General and Administrative
Salaries and Payroll Taxes	\$ 104,125	\$ 20,155	\$ 47,072	\$ -	\$ -	\$ 171,352	\$ 53,560	\$ 71,652	\$ 296,564
Employee Health Insurance	1,303	2,935	3,559	-	-	7,797	6,078	4,953	18,828
Insurance	344	344	-	-	-	688	344	3,553	4,585
Rent	6,585	6,585	6,585	-	-	19,755	6,585	6,585	32,925
Professional Services	2,191	1,265	3,117	-	-	6,573	1,305	2,149	10,027
Bank Charges	-	-	-	-	-	-	-	1,507	1,507
Printing and Office Supplies	2,558	305	962	-	-	3,825	1,000	3,197	8,022
Travel	2,256	-	86	-	-	2,342	139	437	2,918
Professional Development	-	-	-	-	-	-	-	298	298
Meetings/Conferences	-	-	-	-	-	-	-	1,819	1,819
Events	-	-	-	-	-	-	41,287	-	41,287
Membership Dues and Subscriptions	-	-	-	-	-	-	-	3,045	3,045
Teacher Training	-	-	35,783	-	-	35,783	-	-	35,783
Teacher Grants	-	184,377	51	-	-	184,428	-	-	184,428
Scholarships	-	-	-	25,176	2,250	27,426	-	-	27,426
Program Support	578	377	-	-	-	955	-	-	955
Website Support	385	385	385	-	-	1,155	385	569	2,109
School Support	-	-	937,994	-	-	937,994	-	-	937,994
Literacy Materials	80,121	-	-	-	-	80,121	-	-	80,121
Miscellaneous	-	-	-	-	-	-	480	2,050	2,530
Total Expenses Before Depreciation	200,446	216,728	1,035,594	25,176	2,250	1,480,194	111,163	101,814	1,693,171
Depreciation	434	-	307	-	-	741	-	1,533	2,274
Total Expenses	<u>\$ 200,880</u>	<u>\$ 216,728</u>	<u>\$ 1,035,901</u>	<u>\$ 25,176</u>	<u>\$ 2,250</u>	<u>\$ 1,480,935</u>	<u>\$ 111,163</u>	<u>\$ 103,347</u>	<u>\$ 1,695,445</u>