

**CHARLOTTE LOCAL EDUCATION
FOUNDATION, INC.**

FINANCIAL STATEMENTS

June 30, 2019 and 2018

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Independent Auditors' Report

To The Board of Directors
Charlotte Local Education Foundation, Inc.
Port Charlotte, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Charlotte Local Education Foundation, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

We believe 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 Charlotte Local Education Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of the Charlotte Local Education Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Charlotte Local Education Foundation, Inc.'s internal control over financial reporting and compliance.

Summers, Westby + Schiller CPAs

Summers, Westby & Schiller CPAs
Punta Gorda, Florida

October 11, 2019

CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019	June 30, 2018
ASSETS		
Assets		
Cash and cash equivalents	\$ 44,014	\$ 51,907
Accounts receivable	10,726	21,964
Bequest receivable with donor restrictions	1,855,136	-0-
Inventory	6,300	6,300
Investments	381,110	-0-
Prepaid tuition scholarships	892,430	863,293
Prepaid dormitory contracts	9,436	15,059
Total Assets	\$ 3,199,152	\$ 958,523
 LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 20,746	\$ 15,870
Total liabilities	20,746	15,870
Net Assets		
Without donor restrictions	392,788	21,794
With donor restrictions	2,785,618	920,859
Total Net Assets	3,178,406	942,653
Total Liabilities and Net Assets	\$ 3,199,152	\$ 958,523

Read independent auditors' report and
accompanying notes to financial statements.

CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019	June 30, 2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions	\$ 84,640	\$ 67,391
Bequest	374,141	-0-
In-Kind income	1,200	1,200
Interest income	162	68
Investment income	6,968	-0-
Other income	403	-0-
Total Revenues Without Donor Restrictions	467,514	68,659
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	223,826	274,846
Total Revenues and Reclassifications Without Donor Restrictions	691,340	343,505
EXPENSES		
Program services	290,384	311,722
Management and general	26,897	18,483
Fundraising	3,065	13,116
Total expenses	320,346	343,321
Increase (Decrease) in Net Assets Without Donor Restrictions	370,994	184
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contribution and other income	173,186	190,401
Bequest	1,855,136	-0-
State matching scholarship funds	28,452	32,337
Gain on scholarship repackaging	17,060	6,730
In-Kind income	14,750	15,400
Interest income	1	7
Net assets released from restrictions	(223,826)	(274,846)
Increase (Decrease) in Net Assets With Donor Restrictions	1,864,759	(29,971)
INCREASE (DECREASE) IN NET ASSETS	2,235,753	(29,787)
NET ASSETS BEGINNING OF YEAR	942,653	972,440
NET ASSETS AT END OF YEAR	\$ 3,178,406	\$ 942,653

Read independent auditors' report and
accompanying notes to financial statements.

CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTALS
COMPENSATION AND RELATED EXPENSES				
Salaries and benefits	\$ 97,934	\$ 7,006	\$ -0-	\$ 104,940
Total Compensation and Related Expenses	<u>97,934</u>	<u>7,006</u>	<u>-0-</u>	<u>104,940</u>
GRANTS AND ALLOCATIONS				
Program expenses	94,000	-0-	3,065	97,065
Teacher of the Year	20,615	-0-	-0-	20,615
Scholarship value used	50,450	-0-	-0-	50,450
TSIC other expenses	7,498	-0-	-0-	7,498
Total Grants and Allocations	<u>172,563</u>	<u>-0-</u>	<u>3,065</u>	<u>175,628</u>
ADMINISTRATION				
Occupancy and utilities	7,500	1,200	-0-	8,700
Supplies and other administrative costs	7,250	3,956	-0-	11,206
Postage and marketing	-0-	1,418	-0-	1,418
Professional fees	5,137	7,192	-0-	12,329
Insurance	-0-	2,029	-0-	2,029
Conferences and meetings	-0-	4,096	-0-	4,096
Total Administration Expenses	<u>19,887</u>	<u>19,891</u>	<u>-0-</u>	<u>39,778</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 290,384</u>	<u>\$ 26,897</u>	<u>\$ 3,065</u>	<u>\$ 320,346</u>

Read independent auditors' report and
accompanying notes to financial statements.

CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTALS</u>
COMPENSATION AND RELATED EXPENSES				
Salaries and benefits	\$ 115,653	\$ 3,000	\$ -0-	\$ 118,653
Total Compensation and Related Expenses	<u>115,653</u>	<u>3,000</u>	<u>-0-</u>	<u>118,653</u>
GRANTS AND ALLOCATIONS				
Program expenses	67,489	-0-	13,116	80,605
Teacher of the Year	12,070	-0-	-0-	12,070
Scholarship value used	75,492	-0-	-0-	75,492
Other grants and scholarships	17,964	-0-	-0-	17,964
Total Grants and Allocations	<u>173,015</u>	<u>-0-</u>	<u>13,116</u>	<u>186,131</u>
ADMINISTRATION				
Occupancy and utilities	7,500	1,200	-0-	8,700
Supplies and other administrative costs	8,177	4,805	-0-	12,982
Postage and marketing	1,674	7	-0-	1,681
Professional fees	5,063	7,267	-0-	12,330
Insurance	-0-	1,101	-0-	1,101
Conferences and meetings	640	1,103	-0-	1,743
Total Administration Expenses	<u>23,054</u>	<u>15,483</u>	<u>-0-</u>	<u>38,537</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 311,722</u></u>	<u><u>\$ 18,483</u></u>	<u><u>\$ 13,116</u></u>	<u><u>\$ 343,321</u></u>

Read independent auditors' report and
accompanying notes to financial statements.

CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019	June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
INCREASE (DECREASE) IN NET ASSETS	\$ 2,235,753	\$ (29,787)
ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Unrealized gains on investments	(5,631)	-0-
Donated investments included in contributions	(374,141)	-0-
Prepaid tuition scholarships value used	44,827	75,492
Prepaid dormitory contracts value used	5,623	-0-
State matching funds for scholarship purchases	(28,452)	(32,337)
Gain on scholarship repackaging	(17,060)	(6,730)
(Increase) decrease in:		
Accounts receivable	11,238	(9,297)
Bequest receivable	(1,855,136)	-0-
Inventory	-0-	(100)
Increase (decrease) in:		
Accrued expenses	4,876	1,306
Net Cash Provided by (Used in) Operating Activities	21,897	(1,453)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,338)	-0-
Purchase of prepaid scholarships	(28,452)	(32,337)
Net Cash Provided by (Used in) Investing Activities	(29,790)	(32,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-0-	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,893)	(33,790)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	51,907	85,697
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	\$ 44,014	\$ 51,907

Read independent auditors' report and
accompanying notes to financial statements.

CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Activities

Charlotte Local Education Foundation, Inc. (the “Foundation”) was incorporated as a Florida not-for-profit corporation on April 16, 1985. The Foundation’s mission is “for scientific, educational, and charitable purposes, to enhance the quality of programs administered and supported by the Charlotte County Board of Education.” The Foundation’s support comes primarily from the business and individual donors’ contributions and volunteer services.

Basis of Presentation

Financial statement presentation follows the United States Generally Accepted Accounting Principles for Not-for-Profit Organizations.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as support at their estimated fair value at the date of donation.

Donated Services

No amounts, other than those disclosed in Note 5, have been reflected in the financial statements for donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs, campaign solicitations, and various committee assignments. The Foundation and related programs received more than 5,000 volunteer hours during each of the years ended June 30, 2019 and 2018.

Cash and Cash Equivalents

The Foundation considers all monies in banks and unrestricted highly liquid investments, if any, with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to credit risk currently include cash and cash equivalents. The Foundation maintains its cash in accounts at high quality financial institutions in Charlotte County, Florida. As of June 30, 2019 and 2018, no deposits at any one financial institution were in excess of the \$250,000 insurance provided through the Federal Deposit Insurance Corporation.

Inventory

Inventory consisted of school supplies most of which were donated to the Foundation's Teacher Supply Depot program. These supplies were recorded at their estimated fair value on the date of donation.

Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$250. Equipment is recorded at cost, or if donated, at fair market value at the date of acquisition. Assets are depreciated over their estimated useful lives using the straight-line method.

Reclassifications

Certain amounts have been reclassified in the June 30, 2018 financial statements to conform to the June 30, 2019 presentation.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Income Taxes

The Foundation operates as a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's Federal Return of Organization Exempt from Income Tax (Form 990) for 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they are filed.

Note 2 – Cash and Cash Equivalents

Cash consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Petty cash	\$ 224	\$ 284
Checking accounts	8,129	8,805
Savings accounts	<u>35,661</u>	<u>42,818</u>
	<u>\$ 44,014</u>	<u>\$ 51,907</u>

CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
NOTES TO FINANCIAL STATEMENTS

Note 3 – Liquidity and Availability of Financial Assets

The Organization has \$54,740 of financial assets available within one year of the statement of financial position to meet cash needs for expenditures, consisting of cash of \$44,014 and receivable of \$10,726. In addition to these resources, the Organization has \$381,110 of investments which could support operations without restrictions as to use.

Note 4 – Investments

Long-term investments are carried at fair value based on quoted prices in active markets (all Level 1 Measurements). Market risk could occur and is dependent on future changes in market prices of the various investments held. An analysis of investments held consists of the following at June 30, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash, money funds & FDIC deposits	\$ 41,891	\$ 41,891	\$ -0-
Mutual funds	126,413	129,599	3,186
Equities	<u>207,175</u>	<u>209,620</u>	<u>2,445</u>
	<u>\$ 375,479</u>	<u>\$ 381,110</u>	<u>\$ 5,631</u>

Investment return is summarized as follows:

	<u>Net Assets Without Donor Restrictions</u>
Dividend income	\$ 1,337
Net realized and unrealized gains(losses)	5,631
External and direct internal investment expenses	<u>-0-</u>
Total investment income (loss)	<u>\$ 6,968</u>

Note 5 – Bequest Receivable

Included in bequest receivable are monies due to be received within the next year. These monies are restricted by the donor for use in The Max R. Farrell Scholarship Fund to be administered by the Foundation. This bequest receivable is reported at fair value at June 30, 2019. The Foundation has determined that the receivable is fully collectible. Therefore, no allowance for uncollectible accounts is considered necessary.

CHARLOTTE LOCAL EDUCATION FOUNDATION, INC.
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
NOTES TO FINANCIAL STATEMENTS

Note 6 – Net Assets With Donor Restrictions

Donor restricted net assets are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Take Stock in Children	\$ 919,838	\$ 905,639
Other	4,344	8,920
Teacher Supply Depot	6,300	6,300
The Max R. Farrell Scholarship Fund	<u>1,855,136</u>	<u>-0-</u>
	<u>\$2,785,618</u>	<u>\$ 920,859</u>

Note 7 – Statement of Cash Flows

The Foundation did not participate in any noncash investing and financing activities during the fiscal years ended June 30, 2019 and 2018 and no payments relating to income taxes or interest expense were made during these fiscal years.

Note 8 – Related Party Transactions and In-Kind Contributions

The Foundation is considered a direct support organization related to the Charlotte County School Board (the “Board”). The Foundation’s office and related utilities have been provided by the Board since May 2002 and in-kind revenue, as well as occupancy, utilities and program expense, of \$8,700 for the fiscal years ended June 30, 2019 and 2018 have been recognized by the Foundation.

Note 9 – Prepaid Scholarships

The Foundation, through its donors, has purchased 147 scholarship contracts. As of June 30, 2019 and 2018, the Foundation owns 94 scholarship contracts, with a cost of \$892,431 and 94 scholarship contracts, with a cost of \$863,293 respectively. Of the 94 contracts owned at June 30, 2019, seven were purchased in the current fiscal year, at a cost of \$56,905 and five were obtained through repackaging of unused credits which resulted in a gain of \$17,060 from the Florida Prepaid College Foundation. Of the 94 contracts owned at June 30, 2018, eight were purchased in the fiscal year then ended, at a cost of \$64,675 and six were obtained through repackaging of unused credits which resulted in a gain of \$6,730. Through the Florida Prepaid College Foundation, the state of Florida matches, dollar for dollar, the Foundation’s cost of scholarship contracts. Upon graduation, students are awarded scholarships.

Scholarship activity for the years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 863,293	\$ 867,380
Scholarships purchased	56,905	64,675
Gain on repackaged scholarships	17,060	6,730
Value used	<u>(44,828)</u>	<u>(75,492)</u>
Ending balance	<u>\$ 892,430</u>	<u>\$ 863,293</u>

Note 10 – Subsequent Event

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 11, 2019, the date that the financial statements were available to be issued.

Summers, Westby & Schiller

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 11, 2019

To the Board of Directors of
Charlotte Local Education Foundation, Inc.

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 Charlotte Local Education Foundation, Inc. (a nonprofit organization), which comprises the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charlotte Local Education Foundation, Inc.'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 of expressing an opinion on the effectiveness of the Charlotte Local Education Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charlotte Local Education Foundation, 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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Summers, Westby & Schiller CPAs

Summers, Westby & Schiller CPAs
Punta Gorda, Florida