

**THE FOUNDATION FOR
SEMINOLE COUNTY
PUBLIC SCHOOLS, INC.**

Financial Statements

**Years Ended June 30, 2019
and 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Foundation for Seminole County Public Schools, Inc.
Sanford, Florida

We have audited the accompanying financial statements of The Foundation for Seminole County Public Schools, Inc. (a nonprofit Foundation), a component unit of the Seminole County District School Board, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, functional expenses, and cash flows 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.

Auditors' 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 audits 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 Foundation for Seminole County Public Schools, Inc. as of June 30, 2019 and 2018, and the changes in its net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 Summarized Comparative Information

We have previously audited the 2018 financial statements of The Foundation for Seminole County Public Schools, Inc., and we expressed an unmodified opinion on those audited financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of The Foundation for Seminole County Public Schools, 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 solely 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 effectiveness of The Foundation for Seminole County Public Schools, Inc.'s 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 for Seminole County Public Schools, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 27, 2019

Management's Discussion and Analysis

As financial management of the Foundation for Seminole 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 years that ended on June 30, 2019 and 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Foundation's financial statements, which follow this information.

Financial Highlights

- The Foundation's overall combined assets totaled \$5,204,238 at the close of the 2019 fiscal year compared to \$5,164,951 the previous year. Total assets exceeded liabilities by \$5,120,115 (*combined net position*) compared with \$5,076,506 one year earlier.
- The Foundation's combined net position increased by \$43,609 (1%). The restricted portion of net position totaling \$4,442,912 decreased by \$14,755 during the year. The unrestricted portion of net position totaling \$677,203 represents unrestricted amounts that may be used to meet the Foundation's ongoing obligations for its discretionary program activities.
- The Foundation received contributions and corporate, state, and other grants totaling \$3,673,584 in support of its various activities and programs. These and other Foundation funds were used to finance Grants for Great Ideas to teachers and employees of the Seminole County District School Board and to fund student scholarships and tuition reimbursements. Fiscal agent programs accounted for \$442,261 of program support, which included programs such as Families in Need, Environmental Studies Center, and Safe and Drug Free Schools. In kind program amounts of \$1,642,445 supported Tools 4 Seminole Schools in fiscal year 2019.
- During 2019, the Foundation purchased two new tuition contracts with the Florida Prepaid College Foundation to benefit future qualifying participants.
- The Foundation's fundraising events produced net revenues of \$186,061 in 2019, compared to \$175,716 in 2018.

Overview of the Financial Statements

The Foundation presents its financial statements for the fiscal year ended June 30, 2019, which included for comparative purposes the fiscal year ended June 30, 2018. The Foundation is a direct support Foundation and component unit of the Seminole County District 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.

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 Position
- Statements of Revenues, Expenses and Changes in Net Position
- 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 measurement 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.

Statements of Net Position

Net Position. 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 position) by \$5,120,115 at the end of 2019 (compared to \$5,076,506 at the end of 2018), which is summarized as follows:

Net Position				
June 30, 2019 and 2018				
	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets:				
Current and other assets	\$ 4,041,694	\$ 3,909,726	\$ 131,968	3%
Noncurrent assets	<u>1,162,544</u>	<u>1,255,225</u>	<u>(92,681)</u>	<u>(7%)</u>
Total assets	<u>\$ 5,204,238</u>	<u>\$ 5,164,951</u>	<u>\$ 39,287</u>	<u>1%</u>
Total liabilities:				
Accounts payable and other	<u>\$ 84,123</u>	<u>\$ 88,445</u>	<u>\$ (4,322)</u>	<u>(5%)</u>
Net position:				
Unrestricted:				
Undesignated	\$ 549,725	\$ 525,721	\$ 24,004	5%
Board designated	127,478	93,118	34,360	37%
Restricted:				
Expendable	2,643,137	2,742,447	(99,310)	(4%)
Non-expendable	<u>1,799,775</u>	<u>1,715,220</u>	<u>84,555</u>	<u>5%</u>
Total net position	<u>\$ 5,120,115</u>	<u>\$ 5,076,506</u>	<u>\$ 43,609</u>	<u>1%</u>

Total assets increased by \$39,287 to a total of \$5,204,238. Total assets consist primarily of cash and cash equivalents, which make up 14% of total assets, short term investments, which make up 59%, accounts receivable, which make up 1%, amounts due from related party, which make up 3%, and prepaid scholarships held by the Florida College Prepaid Scholarship Foundation which make up 22%. Total assets reflect the primary activities of the Foundation in the areas of scholarships and program enhancement.

The Foundation's total liabilities amounted to \$84,123 for the current period and \$88,445 in the prior year. Restricted net position of the Foundation totaled \$4,442,912 at the end of 2019, compared to \$4,457,667 in 2018. These funds are composed of restricted non-expendable endowment contributions of \$1,799,775 and restricted expendable net position of \$2,643,137 which may only be expended for donor pre-designated uses.

Statement of Revenues, Expenses and Changes in Net Position

Changes in Net Position. While the statement of net position shows a snapshot of the Foundation's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of those changes. During 2019, the Foundation's total operating revenues decreased by \$241,949 to a total of \$4,071,106 compared to \$4,313,055 in the prior year. The Foundation's net fundraising and other revenues were \$190,605 in 2019, compared to \$178,506 in 2018. Investment income decreased by \$31,445 compared to the prior year.

The Foundation's program and other spending increased by \$398,868 in total from 2018 to 2019. During 2019, the Foundation's fundraising cost decreased by \$47,965 due to a decrease in fundraising events. During the same period, general and administrative costs increased by \$91,006. Fundraising and administrative expenses accounted for 11% of total expenses for the fiscal year ended June 30, 2019 as compared to 11% for the fiscal year ended June 30, 2018. However, total dollars spent increased by \$43,041.

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

Revenue, Expenses and Changes in Net Position Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating revenues:				
Program support	\$ 3,673,584	\$ 3,892,189	\$ (218,605)	(6%)
Fundraising events, net	186,061	175,716	10,345	6%
Other income	6,427	8,671	(2,244)	(26%)
Investment income	<u>205,034</u>	<u>236,479</u>	<u>(31,445)</u>	<u>(13%)</u>
Total operating revenues	<u>4,071,106</u>	<u>4,313,055</u>	<u>(241,949)</u>	<u>(6%)</u>
Operating expenses:				
Program services	3,576,499	3,220,672	355,827	11%
Fundraising	118,135	166,100	(47,965)	(29%)
General and administrative	<u>332,218</u>	<u>241,857</u>	<u>91,006</u>	<u>38%</u>
Total operating expenses	<u>4,027,497</u>	<u>3,628,629</u>	<u>398,868</u>	<u>11%</u>
Change in net position	<u>\$ 43,609</u>	<u>\$ 684,426</u>	<u>\$ (640,817)</u>	<u>(94%)</u>

Statements of Cash Flows

Net cash used by operating activities amounted to \$243,122 in 2019, compared to \$707,913 provided in 2018. Cash flows provided by investing activities totaled \$218,726 in 2019, compared to \$485,525 used in 2018.

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 stability 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 Seminole County, FL are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a decreasing county wide unemployment rate of 3.2% at the end of June 2019, which is lower than the 3.5% rate experienced one year earlier.
- Inflationary trends for Seminole County compare favorably with those trends experienced at the state and national levels.

Requests for Information

This financial report is designed to provide our donors, grantors, recipients, and creditors with a general overview of the Foundation's finances and to demonstrate the Foundation's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Executive Director, The Foundation for Seminole County Public Schools, 400 East Lake Mary Boulevard, Sanford, FL 32773.

The Foundation for Seminole County Public Schools, Inc.

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 752,596	\$ 776,992
Investments	3,092,214	2,966,049
Accounts receivable and pledges, net	48,355	89,585
Due from related party-SCPS	148,529	77,100
Beneficial interest in assets held by others and prepaids	<u>1,162,544</u>	<u>1,255,225</u>
Total assets	<u><u>\$ 5,204,238</u></u>	<u><u>\$ 5,164,951</u></u>

LIABILITIES AND NET POSITION

LIABILITIES		
Accounts payable and other	<u>\$ 84,123</u>	<u>\$ 88,445</u>
Total liabilities	<u>84,123</u>	<u>88,445</u>
NET POSITION		
Without donor restrictions		
Undesignated	549,725	525,721
Board designated	127,478	93,118
With donor restrictions		
Expendable	2,643,137	2,742,447
Non-expendable	<u>1,799,775</u>	<u>1,715,220</u>
Total net position	<u>5,120,115</u>	<u>5,076,506</u>
Total liabilities and net position	<u><u>\$ 5,204,238</u></u>	<u><u>\$ 5,164,951</u></u>

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

The Foundation for Seminole County Public Schools, Inc.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES AND SUPPORT		
Donated teaching supplies (Tools 4 Seminole Schools)	\$ 1,642,445	\$ 1,875,470
Program support:		
Program revenue and contributions	1,588,878	1,572,933
Fiscal agent programs	442,261	443,786
Fund raising events, net	186,061	175,716
Unrealized gain from scholarships	1,883	5,881
Investment income	205,034	236,479
Other income	<u>4,544</u>	<u>2,790</u>
 Total revenues and support	 <u>4,071,106</u>	 <u>4,313,055</u>
EXPENSES		
Program services:		
Other programs	3,576,499	3,220,672
Support services:		
Fund raising	118,135	166,100
General and administrative	<u>332,863</u>	<u>241,857</u>
 Total expenses	 <u>4,027,497</u>	 <u>3,628,629</u>
 Change in net position	 43,609	 684,426
 Net position, beginning of year	 <u>5,076,506</u>	 <u>4,392,080</u>
 Net position, end of year	 <u><u>\$ 5,120,115</u></u>	 <u><u>\$ 5,076,506</u></u>

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

The Foundation for Seminole County Public Schools, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, contributions and development	\$ 2,001,540	\$ 1,998,536
Cash received from fundraising events	186,061	175,716
Cash received from investments	(157,052)	67,977
Cash received from other	4,544	8,684
Cash paid for program expenses	(2,078,276)	(1,323,236)
Cash paid for support services	(199,939)	(219,764)
Cash (used) provided by operating activities	(243,122)	707,913
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of scholarships	(16,259)	(344,431)
Purchases of investments, net	(313,121)	(713,078)
Proceeds from sale of investments	548,106	571,984
Cash (used) provided by investing activities	218,726	(485,525)
Net (decrease) increase in cash and cash equivalents	(24,396)	222,388
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	776,992	554,604
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 752,596	\$ 776,992

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

The Foundation for Seminole County Public Schools, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

	Program Services							Support Services			2019	2018
	Grants for	Take Stock	Tools for	Families in	Fiscal Agent	Other	Fund	General and				
	Great Ideas	in Children	Seminole Schools	Need	Programs	Programs		Raising	Administrative	Total		
Program support	\$ -	\$ -	\$ 1,699,493	\$ -	\$ 408,795	\$ 669,532	\$ 2,777,820	\$ -	\$ -	\$ -	\$ 2,777,820	\$ 2,273,021
Fundraising	-	-	-	-	-	14,425	14,425	47,615	-	47,615	62,040	114,043
Personnel and benefits	24,774	128,408	106,236	-	-	79,356	338,774	44,340	182,434	226,774	565,548	431,323
Grants for great ideas	134,421	-	-	-	-	-	134,421	-	-	-	134,421	166,192
Administration and scholarship	-	111,647	-	-	-	-	111,647	-	11,033	11,033	122,680	206,786
Program support	-	29,470	-	45,000	-	-	74,470	-	-	-	74,470	137,556
Rent	-	9,355	109,723	-	-	-	119,078	-	23,419	23,419	142,497	137,448
Legal and professional	-	-	-	-	-	-	-	-	18,216	18,216	18,216	35,553
Dues	-	-	-	-	-	-	-	-	43,869	43,869	43,869	39,748
Bank charges	-	-	-	-	-	-	-	-	5,330	5,330	5,330	2,822
Public relations	-	-	-	-	-	-	-	-	3,768	3,768	3,768	3,044
Operations	-	896	942	-	-	-	1,838	26,180	35,465	61,645	63,483	70,609
Board and investor development	-	608	-	-	-	-	608	-	5,910	5,910	6,518	6,882
Insurance	-	-	-	-	-	-	-	-	3,419	3,419	3,419	3,603
Travel	-	2,390	1,028	-	-	-	3,418	-	-	-	3,418	-
Total expenses	\$ 159,195	\$ 282,774	\$ 1,917,422	\$ 45,000	\$ 408,795	\$ 763,313	\$ 3,576,499	\$ 118,135	\$ 332,863	\$ 450,998	\$ 4,027,497	\$ 3,628,630

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

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A – FOUNDATION

The Foundation for Seminole County Public Schools, Inc. (the “Foundation”) is a not-for-profit corporation, which provides financial assistance and support for Seminole County, Florida Public Schools and the students and educators within the school systems. The Foundation is considered a component unit of the School Board of Seminole County and provides this assistance and support through direct contributions to schools within the district as well as scholarships to and on behalf of students and educators.

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.

Certain financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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 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.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Fund Accounting (continued)

The net position of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the Foundation's long-term financial viability.

See Note G for more information on the composition of net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of revenues, expenses, and changes in net position as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note H for more information on the composition of net assets with donor restrictions.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 the Foundation's various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded.

4. Program Services

The Foundation manages several program services that benefit the students and educators; one of the largest is Take Stock in Children. These funds are joint sponsored with the State of Florida and must be distributed as scholarships to the students of Seminole County and used for the operations of the Take Stock in Children program. In March 2010, the Foundation started Tools 4 Seminole Schools, which provides teachers in the school district with the opportunity to "shop" once a month for free for new and used school supplies. The Foundation also holds many fundraising events that supply funds that are not restricted to a direct program; these funds are distributed to Seminole County teachers for classroom projects. Other programs supported by the Foundation include Grants for Great Ideas and Families in Need.

5. Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

6. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity of six months or less to be cash equivalents.

7. Allowance for Doubtful Accounts

Program service receivables and contributions are stated at the amount management expects to collect from outstanding balances. Management assesses the current status of individual accounts and promises to give and provides for probable uncollectible amounts through a provision for doubtful accounts.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Unearned Revenue

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

9. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Net Position. Unrealized gains and losses are included in the Statements of Revenues, Expenses and Changes in Net Position. Investment income and gains restricted by a donor are reported as increases in unrestricted net position if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

10. Beneficial Assets Held by Others

The Prepaid College Fund consists of funds contributed by the Foundation as part of the Take Stock in Children program. Contributions are matched by the State of Florida, and recorded as contribution income by the Foundation on the Statements of Revenues, Expenses and Changes in Net Position at the time of contribution. The funds are to be used for college scholarships for selected individuals graduating from high school in Seminole County. As the scholarships are awarded, the expenditures are recorded by the Foundation on the Statements of Revenues, Expenses and Changes in Net Position. The Foundation does not have access to the principal held by the Community Foundation of Central Florida, Inc. In addition, the funds held by the Prepaid College Fund can only be utilized for scholarships.

11. Use of Estimates

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

12. Fair Value Measurement

The Foundation adopted the accounting guidance relating to fair value measurements. This guidance 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:

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Fair Value Measurement (continued)

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 measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs. 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, certificates of deposits, equities, and debt securities are based on quoted market prices.

13. Concentration of Credit Risk

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, consist principally of cash bank deposits. The Foundation's policy is to place its cash investments with high quality financial institutions. At June 30, 2019 and 2018, the Foundation held \$241,029 and \$285,235, respectively, in excess of federally insured amounts. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

14. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on September 27, 2019.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit Foundations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective in fiscal 2019 and the Foundation changed its presentation of net assets classes, included a statement of functional expenses, and expanded the footnote disclosures in these financial statements as required by ASU 2016-14.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met. The standard is effective for fiscal years beginning after December 15, 2018. The Foundation is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Foundation is evaluating the potential effects ASU 2016-02 will have on its financial statements.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE C – CONTRIBUTED SERVICES AND MATERIALS

Donated services and facilities that are measurable are recorded as a contribution at their fair market values at the date of receipt by the Foundation. Donated goods supporting Tools 4 Seminole Schools recorded at estimated market values when received by the teacher, the time at which the goods are deemed to have value. A corresponding amount is recorded as expense. (See Note E).

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS AND PREPAID EXPENSES

The Foundation’s beneficial interest in assets at June 30, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Prepaid expenses	\$ -	\$ 113
The Community Foundation of Central Florida, Inc.	15,959	15,022
Prepaid College Fund	<u>1,146,585</u>	<u>1,240,090</u>
	<u>\$ 1,162,544</u>	<u>\$ 1,255,225</u>

NOTE E – RELATED PARTY TRANSACTIONS

The Foundation receives contributions for various programs specifically designated for the Seminole County Public Schools (“SCPS”), primarily the Families in Transition program. The Foundation then awards grants to SCPS based on project applications. Expenditures must be in accordance with the requirement of the grant which is monitored by the Foundation. The awarded funds are deposited into the SCPS District’s Special Revenue Fund. If the full grant is not expended by year end, the excess funds are returned to the Foundation. For the years ended June 30, 2019 and 2018, the Foundation received donations of \$442,261 and \$443,786, respectively, and expended \$453,789 and \$241,162, respectively, for the various programs. As of June 30, 2019 and 2018, SCPS held non expended funds of \$148,529 and \$77,100, respectively, in their possession that will be returned to the Foundation.

The Foundation receives donated office space and employee services from The School Board of Seminole County. The fair market value of the contributions is recorded as revenue at the date of contribution with a corresponding amount recorded as expense. During the year ended June 30, 2019, the Foundation received \$142,497 for office space and \$118,467 for employee services. During the year ended June 30, 2018, the Foundation received \$137,448 for office space and \$73,581 for employee services.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE F – INVESTMENTS

The fair value of the investments is reflected in the Statements of Net Position. A summary of investments at June 30, 2019 and 2018, is as follows:

	<u>2019</u>		
	<u>Original Cost</u>	<u>Level I Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 1,693,385	\$ 2,003,050	\$ 309,665
Debt securities	<u>1,070,819</u>	<u>1,089,164</u>	<u>18,345</u>
Total	<u>\$ 2,764,204</u>	<u>\$ 3,092,214</u>	<u>\$ 328,010</u>
	<u>2018</u>		
Equities	\$ 1,890,610	\$ 2,147,763	\$ 257,153
Debt securities	<u>841,187</u>	<u>818,286</u>	<u>(22,901)</u>
Total	<u>\$ 2,731,797</u>	<u>\$ 2,966,049</u>	<u>\$ 234,252</u>

Investment income is reported in the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2019 and 2018, and is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 77,200	\$ 66,964
Realized gain on investments	34,076	69,022
Change in unrealized gain	<u>93,758</u>	<u>100,493</u>
	<u>\$ 205,034</u>	<u>\$ 236,479</u>

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE G – NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 549,725	\$ 525,721
Board designated	<u>127,478</u>	<u>93,118</u>
Total net assets without donor restrictions	<u>\$ 677,203</u>	<u>\$ 618,839</u>

Undesignated

Net assets without donor restrictions are considered as undesignated and used at the discretion of the Board and/or management for general operating purposes. Expenditures from the years ended June 30, 2019 and 2018 are included in the statements of functional expenses.

Board Designated

The Board of the Foundation has designated certain excess earnings for specific initiatives or programs, referred to as board designated funds. It is the intent that the board designated funds be used primarily as a resource, at the discretion of the Board, for meeting the strategic objectives of the Foundation that fall outside of the scope of the permanent endowment and to fund operating reserves. In addition, while the primary intent is to support the strategic objectives of the Foundation, annually, the Finance Committee will evaluate and make recommendations to the Board as to the possibility of supplementing the permanent endowment. Any earnings or income derived from the principal balance of the board designated funds will remain within the board designated funds absent any recommendation from the Board for movement to the permanent endowment or expenditures meeting current strategic plan.

During the year ended June 30, 2019, the Board approved the designation of \$87,144 in eligible funds be set aside for use in various programs. The amount was determined in accordance with the Fiscal Management Policy adopted September 15, 2015. If the entire \$87,144 is not used by June 30, 2020, the remaining amount is then transferred to the Restricted Non-Expendable fund account.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Florida prepaid	\$ 1,146,585	\$ 1,240,090
Fiscal agent partners	778,357	772,327
Senior scholarships	525,142	487,288
Other	75,715	110,245
Tools 4 Seminole Schools	53,853	90,925
Arts Alive	47,527	26,550
Community Foundation	<u>15,958</u>	<u>15,022</u>
Total subject to expenditure for specified purpose	<u>2,643,137</u>	<u>2,742,447</u>
Endowments subject to the Foundation's spending policy and appropriation:		
Excellence in Education Endowment	1,665,577	1,646,023
Scholarships - Endowed	128,698	63,697
Arts Alive Endowment	<u>5,500</u>	<u>5,500</u>
Total endowments subject to the Foundation's spending policy and appropriation	<u>1,799,775</u>	<u>1,715,220</u>
Total net assets with donor restrictions	<u><u>\$ 4,442,912</u></u>	<u><u>\$ 4,457,667</u></u>

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE I – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Other	\$ 851,491	\$ 535,368
Fiscal agent partners	453,795	241,162
Arts Alive	141,328	153,417
Board designated	87,144	52,784
Tools 4 Seminole Schools	50,622	36,831
Senior scholarships	49,257	29,723
Community Foundation	<u>32,414</u>	<u>29,899</u>
 Net assets released from restrictions	 <u><u>\$ 1,666,051</u></u>	 <u><u>\$ 1,079,184</u></u>

NOTE J – RESTRICTED EXPENDABLE FUNDS

Restricted expendable revenue received during the years ended June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Tools 4 Seminole Schools	\$ 1,671,603	\$ 1,938,822
Fiscal agent partners - other	442,261	443,734
Arts Alive	162,304	116,018
Senior scholarships	97,583	30,675
Grants and awards	85,345	66,351
Take Stock in Children	20,000	60,000
Other	20,000	40,000
Families in Transition	<u>-</u>	<u>34</u>
	<u><u>\$ 2,499,096</u></u>	<u><u>\$ 2,695,634</u></u>

Net position released from donor/programs restrictions when expenses are incurred to satisfy the restricted purposes or by the occurrence of other events as specified by the donors. During fiscal years 2019 and 2018, restricted expendable funds of \$932,355 and \$1,011,480, respectively, were received and released during the same year.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE K – RESTRICTED NON-EXPENDABLE FUNDS

The Foundation’s restricted non-expendable funds (permanently restricted endowments) consists of board and donor-restricted funds held in investments. At June 30 permanently restricted endowments consisted of the following:

	<u>2019</u>	<u>2018</u>
Excellence in Education Endowment	\$ 1,665,577	\$ 1,646,023
Scholarships – Endowed	128,698	63,697
Arts Alive Endowment	<u>5,500</u>	<u>5,500</u>
	<u>\$ 1,799,775</u>	<u>\$ 1,715,220</u>

The Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (MIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the board and donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as restricted non-expendable funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by “MIFA”. In accordance with “MIFA”, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation’s investment policies. Specifically, the Foundation has adopted a policy of calculating the lesser of 5% of the prior three years average investment portfolio balance, net of any new assets added within the prior twelve months, or the dollar amount in excess of the permanent endowment at the end of each calendar year, will be determined as eligible for distribution from the permanent endowment for program support as needed. These funds will be segregated as restricted expendable funds for the upcoming fiscal year. Any amounts that were not distributed for program support during the respective fiscal year shall be returned to the permanent endowed assets and will increase the principal amount of the permanent endowment.

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE K – RESTRICTED NON-EXPENDABLE FUNDS (continued)

The Foundation's restricted non-expendable funds are held as cash and a permanent endowment fund in investment accounts with Raymond James. At June 30, 2019 and 2018, respectively, amounts available for restricted non-expendable funds consisted of the following:

	2019	2018
Cash held by Raymond James	\$ 264,981	\$ 281,239
Investments held by Raymond James	3,092,214	2,966,049
	\$ 3,357,195	\$ 3,247,288

NOTE L – RECONCILIATION OF CHANGE IN NET POSITION (Non-GAAP)

The following table presents a reconciliation of the change in net position to the Foundation's internal operating income (loss) for the years ending June 30:

	2019	2018
Change in net position	\$ 43,609	\$ 684,426
(Increase) decrease in restricted expendable funds	99,310	(604,970)
Unrealized (gain) loss on investments	(93,758)	(100,494)
Realized (gain) loss on investments	(34,076)	(69,022)
Net income (loss) (non-GAAP)	\$ 15,085	\$ (90,060)

NOTE M – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and others, which are allocated on the basis of estimates of time and effort.

The Foundation for Seminole County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE N – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 752,596
Investments	3,092,214
Due from related party - SCPS	148,529
Accounts receivable and pledges	<u>48,355</u>
Total financial assets available within one year	<u>4,041,694</u>
Less:	
Amounts unavailable for general expenditures within one year due to:	
Accounts payable	(83,523)
Deferred revenue	(600)
Restricted by donors for purpose and time	<u>(2,643,137)</u>
Total amounts unavailable for general expenditures within one year	<u>(2,727,260)</u>
Amounts unavailable to management without Board's approval:	
Board designated funds	<u>(127,478)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,186,956</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation has board designated net assets without donor restrictions that, while the Foundation does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.



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

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American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

To The Board of Directors
The Foundation for Seminole County Public Schools, Inc.
Sanford, 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 Seminole County Public Schools, Inc. (a nonprofit Foundation), a component unit of the Seminole County District School Board, which comprise the statements of net position, as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, functional expenses, and cash flows as of and for the years then ended and the related notes to the financial statements, and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Foundation for Seminole County Public Schools, 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 Foundation for Seminole County Public Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Foundation for Seminole County Public Schools, Inc.'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 The Foundation for Seminole County Public Schools, Inc.'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 27, 2019