

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

**Financial Statements
and Supplementary
Information**

**For The Years Ended
June 30, 2011 and 2010**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Foundation for Orange County Public Schools, Inc. (a nonprofit Foundation), a component unit of the Orange County District School Board, as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Foundation for Orange County Public Schools, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for Orange County Public Schools, Inc. as of June 30, 2011 and 2010, and the changes in financial positions and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011, on our consideration of the Foundation for Orange County Public Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss, Krusick & Associates, LLC

September 16, 2011
Winter Park, Florida

Management's Discussion and Analysis

As financial management of the Foundation for Orange County Public Schools, Inc. (hereinafter referred to as the "Foundation"), we offer the readers of these basic financial statements this narrative overview and analysis of the Foundation's financial activities for the fiscal year that ended on June 30, 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Foundation's financial statements, which follow this information.

Financial Highlights

- ... The Foundation's overall combined assets totaled \$2,167,097 at the close of the 2011 fiscal year compared to \$2,037,617 the previous year. Total assets exceeded liabilities by \$1,821,171 (*combined net assets*) compared with \$1,734,695 one year earlier.
- ... The Foundation's combined net assets increased by \$86,746 (4.99%). The restricted portion of net assets \$293,693 increased by \$39,084 during the year primarily due to current year revenues exceeding the release of restrictions on program funds. The unrestricted portion of net assets totaling \$1,527,478 represents unrestricted amounts that may be used to meet the Foundation's ongoing obligations for its discretionary program activities.
- ... The Foundation received corporate and state-funded grants totaling \$242,058 in support of its various activities and programs. These and other Foundation funds were used to finance mini-grants to teachers and employees of the Orange County District School Board and to fund other Foundation programs.
- ... During 2011, the Foundation provided \$72,925 in prepaid college tuition scholarships from its account at the Florida Prepaid College Foundation, compared to \$91,757 provided in 2010.
- ... The Foundation's fundraising event produced revenues of \$127,020 in fiscal year 2011, compared to \$142,250 in fiscal year 2010.

Overview of the Financial Statements

The Foundation presents its financial statements for the fiscal year ended June 30, 2011, which included for comparative purposes the fiscal year ended June 30, 2010. The Foundation is a direct support Foundation and component unit of the Orange County District School Board (a governmental agency). The Foundation accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board (GASB). The Foundation is considered a Business-Type Activity under the provisions of GASB 34 and 35.

The Foundation's financial statements are comprised of two parts: 1) management's discussion and analysis, and 2) the basic financial statements, including the notes to the financial statements.

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

The financial statements include the following:

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

The financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Foundation's overall financial status, including its business-type activities. These statements report information about the Foundation using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Foundation's assets and liabilities, both financial and capital, and short-term and long-term debt (when applicable) are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Foundation's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Statement of Net Assets

Net Assets. As noted previously, net assets may serve over time as a useful indicator of the Foundation's financial position. This year, the Foundation's combined total assets exceeded liabilities (net assets) by \$1,821,171 at the end of 2011 (compared to \$1,734,695 at the end of 2010), which is summarized as follows:

Net Assets				
June 30, 2011 and 2010				
	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets:				
Current and other assets	<u>\$ 2,167,097</u>	<u>\$ 2,037,617</u>	<u>\$ 129,480</u>	<u>6.35%</u>
Total assets	<u>2,167,097</u>	<u>2,037,617</u>	<u>129,480</u>	<u>6.35%</u>
Liabilities:				
Current liabilities	<u>345,926</u>	<u>302,922</u>	<u>43,004</u>	<u>14.20%</u>
Total liabilities	<u>345,926</u>	<u>302,922</u>	<u>43,004</u>	<u>14.20%</u>
Net assets:				
Unrestricted	1,527,478	1,480,086	47,392	3.20%
Restricted:				
Expendable	239,224	200,140	39,084	19.53%
Non-expendable	<u>54,469</u>	<u>54,469</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 1,821,171</u>	<u>\$ 1,734,695</u>	<u>\$ 86,476</u>	<u>4.99%</u>

Total assets increased last year by \$129,480 to a total of \$2,167,097, or an increase of 6.35%. Total assets consist primarily of cash and cash equivalents, which make up 38.25% of total assets, short term investments, which make up 3.47%, and prepaid scholarships held by the Florida College

Prepaid Scholarship Foundation which makes up 57.80%. This amount reflects the primary activities of the Foundation in the areas of scholarships and program enhancement.

The Foundation's total liabilities consist of \$30,223 in other liabilities for the current period compared to prior year amounts totaling \$17,826, and \$38,133 in deferred revenues collected in advance of being earned by the entity for 2011 compared to \$69,200 at June 30, 2010. Restricted net assets of the Foundation totaled \$287,337 at the end of 2011, compared to \$254,609 in 2010. These funds are composed of nonexpendable endowment contributions of \$54,469 and other expendable, but restricted, donor contributions totaling \$232,868, which may only be expended for donor pre-designated uses.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in Net Assets. While the statement of net assets shows a snapshot of the Foundation's financial position at the end of the fiscal year, the statement of changes in net assets provides answers as to the nature and sources of those changes. During 2011, the Foundation's total operating revenues increased by \$56,326 to a total of \$773,721, compared to \$717,395 in the prior year. The majority of the increase in grants is due to the timing in which the grant monies were received prior to year end and the related expenses have not been incurred. During 2011, approximately 37.46% of the Foundation's revenue was derived from community financial support, compared with 35.78% in the previous year. Grants totaled \$242,058 and made up 31.28% of operating revenue in 2011, compared to \$206,109 in 2010, which made up 28.73% of operating revenue. The increase was attributed to the timing of when grants were received for the current year.

Expenses for mini-grants decreased from \$259,629 in 2010 to \$229,294 in 2011, which represents a decrease of 11.68%. During 2011, the Foundation's fundraising and general and administrative costs decreased by \$12,007. Fundraising and administrative expenses totaled \$135,633 in 2011.

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

Revenue, Expenses and Changes in Net Assets For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Contributions, donations and corporate support	\$ 289,818	\$ 256,690	\$ 33,128	12.91%
Grants	242,058	206,109	35,949	17.44%
Fundraising	127,020	142,250	(15,230)	(10.71%)
Other revenues	<u>114,825</u>	<u>112,346</u>	<u>2,479</u>	<u>2.21%</u>
Total operating revenues	<u>773,721</u>	<u>717,395</u>	<u>56,326</u>	<u>7.85%</u>
Operating expenses:				
Program expenses	551,612	645,591	(93,979)	(14.56%)
Support services	<u>135,633</u>	<u>147,640</u>	<u>(12,007)</u>	<u>(8.13%)</u>
Total operating expenses	<u>687,245</u>	<u>793,231</u>	<u>(105,986)</u>	<u>(13.36%)</u>
Change in net assets	<u>\$ 86,476</u>	<u>\$ (75,836)</u>	<u>\$ 162,312</u>	<u>214.03%</u>

Statement of Cash Flows

Net cash provided by operating activities amounted to \$106,954 for the past year, compared to net cash used of \$107,928 in the previous year. Increases in operating cash receipts of \$108,165 were combined with the decreases in operating cash disbursements of \$106,717. There were no cash flows used in investing or financing activities this past year or in the previous year.

Economic Factors that will Affect the Future

Charitable giving continues to be significantly affected by many factors including the general state of the economy, the health of the stock market and prospective donors' perception of the benefiting Foundation. Toward this latter factor, the Foundation has historically enjoyed a very positive reputation in the communities it serves. While economic factors do ultimately affect charitable giving in general, the Foundation has developed a history of steady growth regardless of changes in these factors.

Some of the major factors considered by the Foundation in the process of predicting future economic factors are the local economy, civilian labor force, unemployment rates, and inflation rates.

- ... The most recent estimates available for unemployment data in Orange County, FL are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a county wide unemployment rate of 10.4% at the end of June 2011, which is lower than the 11.4% rate experienced one year earlier.
- ... Inflationary trends for Orange County compare favorably with those trends experienced at the state and national levels.

Requests for Information

This financial report is designed to provide our donors, grantors, recipients, and creditors with a general overview of the Foundation's finances and to demonstrate the Foundation's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Director, The Foundation for Orange County Public Schools, 445 W. Amelia Street, Suite 901, Orlando, Florida 32801.

Foundation for Orange County Public Schools, Inc.

STATEMENTS OF NET ASSETS

ASSETS

	June 30,	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 828,942	\$ 721,988
Investments	75,156	62,079
Accounts receivable	5,728	6,113
Florida prepaid tuition scholarships	1,252,605	1,245,288
Prepaid expenses	3,496	-
Property and equipment - net	1,170	2,149
Total assets	\$ 2,167,097	\$ 2,037,617

LIABILITIES AND NET ASSETS

LIABILITIES		
School/districts assets held	\$ 277,570	\$ 215,896
Other liabilities	30,223	17,826
Deferred revenue	38,133	69,200
Total liabilities	345,926	302,922
NET ASSETS		
Unrestricted	1,527,478	1,480,086
Restricted:		
Expendable	239,224	200,140
Non-expendable	54,469	54,469
Total net assets	1,821,171	1,734,695
Total liabilities and net assets	\$ 2,167,097	\$ 2,037,617

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

Foundation for Orange County Public Schools, Inc.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For The Years Ended June 30,

	2011	2010
Contributions	\$ 137,110	\$ 129,758
Fundraising events	127,020	142,250
Grants	242,058	206,109
Read 2 succeed	96,844	37,422
Middle school kids	-	30,836
ALP dividend	141	478
Unrealized gain from scholarships	80,242	81,119
Other income	34,442	30,749
In kind donations	55,864	58,674
Total revenue and support	773,721	717,395
 Program services:		
Read 2 succeed	71,205	73,441
District support	94,605	62,624
Grants	229,294	259,629
Orange County scholars	79,972	98,168
Middle school kids	10,422	56,585
Count me in	64,364	91,894
ALP memorial scholarship	1,750	3,250
 Support services:		
Fundraising	73,753	83,941
General and administrative	61,880	63,699
Total expenses	687,245	793,231
 Change in net assets	86,476	(75,836)
 Net assets, beginning of year	1,734,695	1,810,531
 Net assets, end of year	\$ 1,821,171	\$ 1,734,695

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

Foundation for Orange County Public Schools, Inc.

STATEMENTS OF CASH FLOWS

For The Years Ended June 30,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 137,495	\$ 125,895
Cash received from fundraising events	95,953	123,095
Cash received from grants and programs	242,058	206,109
Cash received from Read 2 Succeed	96,844	37,422
Cash received from Middle School Kids	-	30,836
Cash received from other	76,843	17,671
Cash paid for program expenses	(430,068)	(497,682)
Cash paid for fundraising events	(57,897)	(93,861)
Cash paid for administrative costs	(54,274)	(57,413)
	106,954	(107,928)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net increase (decrease) in cash and cash equivalents	106,954	(107,928)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	721,988	829,916
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 828,942	\$ 721,988
 RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 86,476	\$ (75,836)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	979	1,201
Unrealized gain on investments	(11,230)	(5,496)
Realized gain/loss on investments	(1,847)	(1,602)
Unrealized gain on prepaid scholarships	(80,242)	(81,119)
Florida prepaid tuition scholarships provided	72,925	91,757
(Increase) decrease in assets:		
Accounts receivable	385	(3,863)
Prepaid expenses	(3,496)	1,062
Increase (decrease) in liabilities:		
School/district assets held	61,674	(8,582)
Other liabilities	12,397	(6,295)
Deferred revenue	(31,067)	(19,155)
	\$ 106,954	\$ (107,928)

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

Foundation for Orange County Public Schools, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2011

	Program Services							Support Services		Total Expenses	
	Read 2	District	Orange County	Middle School	Count Me	ALP Memorial	General and				
	Succeed	Support	Grants	Scholars	Kids	In	Scholarship	Fundraising	Administrative		
Salaries and payroll taxes	\$ 37,813	\$ 35,163	\$ 35,803	\$ 5,954	\$ 4,195	\$ 47,046	\$ -	\$ 165,974	\$ 23,558	\$ 32,808	\$ 222,340
Employee health insurance	2,724	2,912	6,645	1,093	264	3,216	-	16,854	1,640	2,309	20,803
Retirement benefits and fees	250	250	250	-	-	250	-	1,000	250	250	1,500
Insurance	71	-	111	-	25	131	-	338	15	2,502	2,855
Rent	6,356	6,356	6,356	-	-	6,356	-	25,424	-	6,356	31,780
Professional services	1,133	1,133	1,133	-	1,133	1,133	-	5,665	-	1,284	6,949
Bank charges	-	-	-	-	-	-	-	-	-	1,128	1,128
Printing and office supplies	684	1,979	493	-	24	679	-	3,859	876	1,717	6,452
Travel	68	-	-	-	-	-	-	68	-	417	485
Professional development	-	-	-	-	-	20	-	20	-	406	426
Marketing	-	-	-	-	-	-	-	-	6	1,250	1,256
Communications	9,419	-	2,296	-	2,296	2,296	-	16,307	2,436	-	18,743
Meetings/conferences	-	-	-	-	-	-	-	-	-	4,037	4,037
Events	-	-	666	-	-	1,237	-	1,903	41,568	3	43,474
Memberships	-	-	-	-	-	-	-	-	-	3,727	3,727
Teacher training	-	22,184	-	-	-	-	-	22,184	-	-	22,184
Teacher grants	-	-	172,160	-	-	-	-	172,160	-	-	172,160
Scholarships	-	-	-	72,925	-	-	1,500	74,425	-	-	74,425
Teacher of the year	-	8,000	-	-	-	-	-	8,000	-	-	8,000
Newsletter/ mailing	-	-	-	-	-	-	-	-	-	159	159
Other fundraising costs	-	-	-	-	-	-	-	-	-	-	-
Program support	-	-	471	-	-	-	-	471	-	-	471
Teacher Stipends	-	-	-	-	-	-	-	-	-	-	-
Curriculum	-	-	-	-	-	-	-	-	-	-	-
Website support	2,910	2,910	2,910	-	2,000	2,000	-	12,730	2,910	3,074	18,714
School support	-	13,718	-	-	-	-	-	13,718	-	-	13,718
Literacy materials	9,732	-	-	-	-	-	-	9,732	-	-	9,732
Miscellaneous	45	-	-	-	-	-	250	295	-	453	748
Total expenses before depreciation	71,205	94,605	229,294	79,972	9,937	64,364	1,750	551,127	73,259	61,880	686,266
Depreciation	-	-	-	-	485	-	-	485	494	-	979
Total expenses	\$ 71,205	\$ 94,605	\$ 229,294	\$ 79,972	\$ 10,422	\$ 64,364	\$ 1,750	\$ 551,612	\$ 73,753	\$ 61,880	\$ 687,245

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

Foundation for Orange County Public Schools, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2010

	Program Services								Support Services		Total Expenses
	Read 2	District	Orange County		Middle School	Count Me	ALP Memorial	General and			
	Succeed	Support	Grants	Scholars	Kids	In	Scholarship	Fundraising	Administrative		
Salaries and payroll taxes	\$ 36,592	\$ 27,442	\$ 57,614	\$ 5,435	\$ 25,539	\$ 62,397	\$ -	\$ 215,019	\$ 10,666	\$ 27,420	\$ 253,105
Employee health insurance	1,750	1,491	6,744	976	1,060	2,953	-	14,974	451	2,603	18,028
Retirement benefits and fees	210	128	406	-	144	391	-	1,279	63	158	1,500
Insurance	205	-	369	-	140	409	-	1,123	70	2,816	4,009
Rent	5,563	5,563	5,563	-	5,563	5,563	-	27,815	-	5,563	33,378
Professional services	954	-	954	-	1,431	954	-	4,293	-	1,106	5,399
Bank charges	-	-	-	-	-	-	-	-	-	2,282	2,282
Printing and office supplies	606	972	752	-	597	1,237	-	4,164	890	5,197	10,251
Travel	77	-	-	-	41	327	-	445	-	766	1,211
Marketing	-	-	-	-	-	-	-	-	732	27	759
Communications	5,840	-	5,840	-	5,840	5,840	-	23,360	23,840	-	47,200
Meetings/conferences	-	-	-	-	-	-	-	-	-	4,042	4,042
Events	3,210	3,210	6,040	-	3,211	4,418	-	20,089	41,223	3,210	64,522
Memberships	-	-	-	-	-	-	-	-	-	3,952	3,952
Teacher training	-	9,904	-	-	1,344	-	-	11,248	-	-	11,248
Teacher grants	-	-	168,450	-	250	-	-	168,700	-	-	168,700
Scholarships	-	-	-	91,757	-	-	3,000	94,757	-	-	94,757
Teacher of the year	-	3,500	-	-	-	-	-	3,500	-	-	3,500
Newsletter/mailling	317	-	-	-	482	946	-	1,745	1,093	725	3,563
Other fundraising costs	-	-	-	-	-	-	-	-	2,019	-	2,019
Program support	-	-	410	-	-	459	-	869	-	-	869
Teacher Stipends	-	-	-	-	5,000	-	-	5,000	-	-	5,000
Curriculum	-	-	-	-	1,673	-	-	1,673	-	-	1,673
Website support	3,600	-	6,000	-	3,600	6,000	-	19,200	2,400	2,595	24,195
School support	-	10,414	-	-	-	-	-	10,414	-	-	10,414
Literacy materials	14,517	-	-	-	-	-	-	14,517	-	-	14,517
Miscellaneous	-	-	487	-	-	-	250	737	-	1,200	1,937
Total expenses before depreciation	73,441	62,624	259,629	98,168	55,915	91,894	3,250	644,921	83,447	63,662	792,030
Depreciation	-	-	-	-	670	-	-	670	494	37	1,201
Total expenses	\$ 73,441	\$ 62,624	\$ 259,629	\$ 98,168	\$ 56,585	\$ 91,894	\$ 3,250	\$ 645,591	\$ 83,941	\$ 63,699	\$ 793,231

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

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A – ORGANIZATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (the “GASB”) is the standard setting body for governmental accounting and financial reporting. The Foundation has followed the financial presentation model of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. For financial reporting purposes, the Foundation is considered a special-purpose government entity engaged exclusively in business-type activities. Accordingly, the Foundation’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred.

2. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. All of the Foundation’s financial activity is accounted for in a single business-type fund, which contains restricted and unrestricted components. The Foundation’s Operating Account includes unrestricted and restricted resources, representing the portion of expendable and nonexpendable funds that are available for support of operations and funds available for use in accordance with specific restrictions, respectively. When both restricted and unrestricted resources are available for use, it is the Foundation’s policy to use restricted resources first, then unrestricted resources as they are needed.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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. The Foundation implemented provisions of income tax accounting standards regarding uncertain tax positions for its year ending June 30, 2011.

Management has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. Additionally, management believes that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. In addition, no cumulative effect adjustment related to implementation was recorded.

4. Revenue Recognition

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

5. Property and Equipment - Net

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

6. Functional Allocation of Expenses

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

7. Deferred Revenue

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

8. Cash and Cash Equivalents

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

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Investments

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

10. Compensated Absences Payable

The Foundation records a liability for the estimated amounts of compensation for future absences. An accrual for unused vacation pay is recorded in the financial statements as other liabilities, based on pay rates in effect at June 30, 2011.

11. Estimates

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

12. Fair Value Measurement

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

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Level 1 Fair Value Measurements

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

Level 3 Fair Value Measurements

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

13. Concentration of Credit Risks

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

14. Reclassifications

Certain amounts contained in the prior year financial statements have been reclassified to conform to current year presentation.

15. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the time these financial statements were available to be issued on September 16, 2011.

NOTE C – IN KIND DONATIONS

Donated services and facilities that are measurable are recorded as contributions at their fair values at the date of receipt by the Foundation with a corresponding amount recorded as expense. During the years ended June 30, 2011 and 2010, donations of occupancy necessities, event and promotional items in the amounts of \$55,864 and \$58,674, respectively, 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.

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE D – PROPERTY AND EQUIPMENT- NET

Property and equipment - net consists of the following:

	June 30,	
	2011	2010
Computer equipment	\$ 10,378	\$ 10,378
Less accumulated depreciation	<u>(9,208)</u>	<u>(8,229)</u>
Property and equipment - net	<u>\$ 1,170</u>	<u>\$ 2,149</u>

NOTE E – SCHOOL/DISTRICT ASSETS HELD

The Foundation held funds for use by schools and district programs in the amounts of \$277,570 and \$215,896 at June 30, 2011 and 2010, respectively. The Foundation disburses these funds upon schools' or programs' request.

NOTE F – FLORIDA PREPAID TUITION SCHOLARSHIPS

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

	June 30,	
	2011	2010
Prepaid College Fund	<u>\$ 1,252,605</u>	<u>\$ 1,245,288</u>

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

As the scholarships are awarded, the expenditures are recorded by the Foundation on the Statements of Revenues, Expenses and Changes in Net Assets. Scholarship expense of \$72,925 and \$91,757 was recorded in fiscal year 2011 and 2010, respectively. The assets are adjusted annually to the current value of the scholarships as provided by the Florida Prepaid College Foundation, Inc. The increase in value of \$80,242 and \$81,119 was recorded in fiscal year 2011

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE F – FLORIDA PREPAID TUITION SCHOLARSHIPS (continued)

and 2010 was presented respectively, as unrealized gain on scholarship in the Statements of Revenues, Expenses and Changes in Net Assets.

NOTE G – INVESTMENTS

A summary of investments at June 30, 2011 and 2010 is as follows:

	2011		
	Original Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 57,450	\$ 75,156	\$ 17,706
	2010		
	Original Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 55,603	\$ 62,079	\$ 6,476

The fair value of the investments is reflected in the Statement of Financial Net Assets at June 30, 2011 and 2010. Investment loss is reported as other income in the Statement of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2011 and 2010 and is summarized as follows:

	2011	2010
Interest and dividends	\$ 5,588	\$ 7,608
Realized gain (loss)	1,847	1,602
Unrealized gain (loss)	11,230	5,496
	\$ 18,665	\$ 14,706

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE H – FAIR VALUE MEASUREMENTS

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

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

The following table set forth by level, within the fair value hierarchy, the Foundation's assets as of June 30, 2010:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Assets:			
Mutual funds	\$ 62,079	\$ -	\$ 62,079
Prepaid scholarships	<u>-</u>	<u>1,245,288</u>	<u>1,245,288</u>
Total fair value	<u>\$ 62,079</u>	<u>\$ 1,245,228</u>	<u>\$ 1,307,367</u>

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

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,245,228	\$ 1,255,926
Unrealized gain	80,242	81,119
Withdrawals	<u>(72,925)</u>	<u>(91,757)</u>
Balance, end of year	<u>\$ 1,252,605</u>	<u>\$ 1,245,288</u>

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE I – FUNDRAISING COSTS

The Foundation incurs costs in activities that include fundraising and allocates those costs after determining that it has met the criteria of purpose, audience and content. The following table presents the types of activities where joint costs have been allocated in the Statements of Functional Expenses for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Events	\$ 43,474	\$ 22,471
Communications	18,743	47,200
Website support	18,714	24,195
Marketing	1,256	759
Newsletter	<u>-</u>	<u>3,563</u>
	<u>\$ 82,187</u>	<u>\$ 98,188</u>

NOTE J – RESTRICTED-EXPENDABLE FUNDS

Restricted-Expendable funds are available for the following:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Middle School Kids	\$ 96,354	\$ 106,886
Grants	73,288	54,168
Read 2 Succeed	52,991	20,996
ALP Scholarship Fund	<u>16,591</u>	<u>18,200</u>
	<u>\$ 239,224</u>	<u>\$ 200,140</u>

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

	<u>For the Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Grants	\$ 229,294	\$ 259,629
Read 2 Succeed	71,205	73,441
Middle School Kids	10,422	56,585
ALP Scholarship Fund	<u>1,750</u>	<u>3,250</u>
	<u>\$ 312,671</u>	<u>\$ 392,905</u>

Foundation for Orange County Public Schools, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE K – RESTRICTED-NONEXPENDABLE FUNDS

During the year ended June 30, 2000, the Foundation received an endowment (ALP Scholarship Fund) to be used as the donor has stipulated. The principal, \$54,469, must be maintained intact and only the investment income of the fund can be expensed. The fund is for Apopka High School seniors to attend two years of community college.

NOTE L – 401K PROFIT SHARING PLAN

The Foundation established a 401K Profit Sharing Plan effective January 1, 2006 for all qualifying employees. All employees over 21 years of age are eligible to participate in the plan. The Foundation is required to match 100% of the first 4% of the employee's deferred contribution to the plan. Contributions to the profit sharing component of the plan are at the discretion of the Foundation. Employees are immediately vested in their contributions and the matching contributions. As of April 30, 2009, the Foundation amended its Plan to temporarily remove the employer stated match; however it still has the option to make a discretionary year end contribution if the Board so designates it. The Foundation provided no matching contributions to the plan for the years ended June 30, 2011 and 2010, respectively.

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Certified Public Accountants

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

To The Board of Supervisors
Foundation for Orange County Public Schools, Inc.
Orlando, Florida

We have audited the accompanying financial statements of the Foundation for Orange County Public Schools, Inc. (a nonprofit Foundation), as of and for the year ended June 30, 2011, and have issued our report thereon dated September 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect or correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected on a timely basis.

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

Compliance and Other Matters

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

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

Moss, Krusick & Associates, LLC

September 16, 2011
Winter Park, Florida

Moss, Krusick & Associates, LLC

Certified Public Accountants

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MANAGEMENT LETTER

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

We have audited the basic financial statements of The Foundation for Orange County Public Schools, Inc. (the "Foundation") as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 16, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated September 16, 2011. Disclosures in these reports, if any, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made or violations reported in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Foundation complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No recommendations were made to improve the Foundation's present financial management.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statement); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Foundation for Orange County Public Schools, Inc. was organized pursuant to Chapter 125 and 1013 of the Florida Statutes.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the Foundation did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Foundation for the Foundation's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Moss, Krusick & Associates, LLC

September 16, 2011
Winter Park, Florida