

STATEMENT OF FUNCTIONAL EXPENSES
CLAY COUNTY EDUCATIONAL FOUNDATION, INC.
FOR THE YEAR ENDED JUNE 30, 2006
(RESTATED)

	<u>EDUCATION GRANTS/FUNDING</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
OPERATING EXPENSES				
Mini-Grants to School Teachers	\$ 55,696	-	-	\$ 55,696
Scholarships to Students	21,787	-	-	21,787
Black Stallion Literacy Project	16,419	-	-	16,419
Enrichment Programs	5,470	-	-	5,470
Teacher of the Year	2,000	-	-	2,000
Project Graduation	100	-	-	100
Project Reach	265	-	-	265
Student Medical Assistance	223	-	-	223
Depreciation	-	460	-	460
Professional Fees	-	4,000	-	4,000
Banquet	-	-	4,185	4,185
Miscellaneous Expense	-	666	-	666
Supplies	-	2,434	-	2,434
Printing & Postage	-	260	-	260
Dues	-	1,100	-	1,100
TOTAL EXPENSES	\$ 101,960	\$ 8,920	\$ 4,185	\$ 115,065

See accompanying notes to financial statements.

CLAY COUNTY EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The purpose of Clay County Education Foundation, Inc., (the Foundation) is to recognize student achievement, reward teacher development and promote the Clay County Public School System.

The Foundation receives donations and conducts fund-raising activities in order to provide mini-grants to teachers. Teachers submit to the Foundation project ideas along with funding needs for the school year. The Foundation then approves projects based on their merits and funding limitations.

Method of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

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

Income Taxes

The Company is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Service as an organization described in section 501(c)(3).

CLAY COUNTY EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006
(Continued)

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Foundation considers cash on hand, deposits in banks, savings accounts, certificates of deposit and highly liquid investments with maturities of three months or less to be cash equivalents.

Concentration of Fund-Raising Activities

The Foundation receives funds from the sale of entertainment coupon books. The fundraiser accounted for 13% and 16% of total revenues for 2007 and 2006 fiscal years, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets.

Funds Held by Others

The Foundation has money in separate Foundation accounts at St. Johns River Community College (SJRCC) and Florida Community College Jacksonville (FCCJ). Money has accumulated over the past several years in each account as a result of money being submitted and accumulating over time at each institution. The Foundation will not submit any more money to each institution until their credit balance no longer exists. The account balances for 2006 and 2007, respectively, for SJRCC was \$10,050 and \$4,022 and FCCJ was \$10,481 and \$8200.

Note 2 Investments

The Foundation invests excess cash in certificates of deposits. These are insured up to \$100,000 by the Federal Depository Insurance Corporation.

CLAY COUNTY EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006
(Concluded)

Note 3 Donor Restricted Net Assets

The Foundation received funds for college scholarships in previous years that are restricted as to certain majors as defined by the donor. The scholarship awards are made at the discretion of the Foundation's board.

Note 4 Restatement

The Foundation currently has account balances with SJRCC and FCCJ and are classified as "Funds Held by Others". The accounts are classified as an asset and will decrease accordingly when students are awarded scholarships to either institution. Additionally, unrestricted net assets had to be restated by \$18,795 for 2005 to reflect an increased amount as a result of the Funds Held by Others account.

The Foundation has decided not to remit any payments to each respective institution until the current account balances have been used. Currently, the Foundation remits a notice to each institution with the names of the scholarship recipients and amount for the upcoming calendar school year. Each institution will credit the Foundation's account accordingly and will notify the Foundation the following year of their account balance.

Teresa Harrington

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS

To the Board of Directors of
Clay County Education Foundation, Inc.
Green Cove Springs, Florida

In planning and performing my audit of the financial statements of Clay County Education Foundation, Inc. for the year ended June 30, 2007, I considered its internal control in order to determine my audit procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Such reportable conditions are hereafter presented.

As I have noted in previous audits, duties involving cash receipts have been combined where a single employee is responsible for several steps in the cash receipts process. While the duties have been segregated, the Foundation can still improve their safeguarding of receipts and ensure all receipts have been properly recorded. I recommend that a budget-to-actual analysis accompany the Financial Reports to the Board members each month. This will enable other members of the Board to be aware of the financial position of the Foundation on an ongoing basis.

From a previous recommendation, the person responsible for making deposits is required to record the receipts in the Receipt of Funds Log. During testing, we selected a sample of 10 transactions from the Receipt of Funds Log and traced the transactions to the General Ledger for proper recording. We noted 2 instances (20%) where the transaction in the Log was not recorded in the G/L. While a statistical sampling approach was not used and therefore the extrapolated exception rate is simply illustrative, a reasonable conclusion can still be made that not all receipts are being properly recorded in the Receipt of Funds Log. I recommend that the "policy" of recording deposits and disbursements be adhered to by management. Additionally, I recommend the Foundation's Audit Committee be responsible for internal compliance with this policy. The Audit Committee should periodically test the Log by selecting some transactions from the Log and tracing to the G/L to ensure compliance.

We also noted that management should consider implementing a way to track its scholarship payables in an effective manner. During our audit, we noted when scholarships are awarded to students; the Foundation will not accrue a payable; either a check will be sent to the school directly, or the Foundation will hold the scholarship money for up to one year should the student not attend college that first year. In a few situations, the Foundation already has a credit balance with some institutions where money will be debited from the Foundation's account as appropriate, i.e. the Foundation will notify the respective institution of the scholarship recipient and the dollar amount rewarded. However, if a scholarship is awarded and money is not exchanged, i.e. the student does not attend college; then this money should be properly classified and restricted by the Foundation in their records until a certain period has elapsed or the student attends college. I recommend all scholarships be tracked by student and reconciled accordingly.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls. However, the reportable conditions described above are believed to be material weaknesses. These conditions were considered in determining the nature, timing, and extent of the audit tests applied in my audit of the June 30, 2007 financial statements, and this report does not affect my report on those financial statements dated December 5, 2007.

This report is intended solely for the information and use of the Board of Directors, management and others within the Foundation and is not intended and should not be used by anyone other than these specified parties.

Orange Park, Florida
December 5, 2007



The Clay County County Education Foundation, Inc.

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January 21, 2008

Teresa Harrington, CPA
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In response to the material weaknesses identified in the review of internal controls for the fiscal years ending June 30, 2007, the following actions have been taken:

An audit committee has been established that will oversee implementation of the corrective actions.

With respect to specific recommendations, the Foundation and its Executive Director will take the following actions:

- a. The Executive Director will immediately take corrective action to ensure that the policy of using the log is followed. In addition, the Audit Committee will test compliance by tracing five (5) transactions from the log to the general ledger and vouching five transactions from the general ledger to the log. This will be performed on a quarterly basis beginning March 31, 2008.
- b. Tracking scholarship payables. The audit also noted that when scholarships are awarded to students from FCCJ and SJRCC, there were instances in which the Foundation would not include a payable and funds were debited instead from a credit balance held by the college. To rectify this situation the Foundation has established a recording log to track students who receive scholarships and the schools they will attend. Funds identified in the audit will be properly classified and restricted by the Foundation in the "funds held by others" and "scholarships payable" accounts.
- c. Budget-to-Actual analysis. It was recommended that a budget-to-actual analysis accompany the Financial Reports to the Board members each month. Management concurs with this recommendation, and the Treasurer will begin including this report in the monthly information provided to the Board.

Chris Rodatz
CCEF President

CLAY COUNTY EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

FISCAL YEARS ENDING JUNE 30, 2007 AND 2006

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STATEMENT OF FINANCIAL POSITION
CLAY COUNTY EDUCATION FOUNDATION, INC.
JUNE 30, 2007 and 2006
(RESTATED)

	June 30, 2007	June 30, 2006
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 44,221	\$ 35,340
Investments	-	10,302
Investments - Restricted for Scholarships	8,643	10,815
Prepaid Expenses	-	1,000
Funds Held by Others	12,223	20,532
	<u>65,087</u>	<u>77,989</u>
TOTAL CURRENT ASSETS	65,087	77,989
Property and Equipment	1,840	1,840
Less: Accumulated Depreciation	(1,840)	(1,610)
	<u>-</u>	<u>230</u>
Property and Equipment, Net	-	230
TOTAL ASSETS	\$ 65,087	\$ 78,219
LIABILITIES AND NET ASSETS		
LIABILITIES		
Scholarships Payable	\$ 12,639	\$ 10,750
NET ASSETS		
Unrestricted	44,942	55,898
Temporarily Restricted	7,505	11,570
	<u>52,448</u>	<u>67,469</u>
TOTAL NET ASSETS	52,448	67,469
TOTAL LIABILITIES AND NET ASSETS	\$ 65,087	\$ 78,219

See accompanying notes to financial statements.

Teresa Harrington

Certified Public Accountant & Financial Consultant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Clay County Education Foundation, Inc.
Green Cove Springs, Florida

I have audited the accompanying statements of financial position of Clay County Education Foundation, Inc., (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that I 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 4 to the Financial Statements, the Foundation restated its prior year financial statements to reflect certain re-classifications of its net assets.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clay County Education Foundation, Inc. as of June 30, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Teresa Harrington, CPA

Orange Park, Florida
December 5, 2007

STATEMENT OF ACTIVITIES
CLAY COUNTY EDUCATION FOUNDATION, INC.
FOR THE YEAR ENDED JUNE 30, 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE			
Contributions and Support	\$ 23,744	\$ 250	\$ 23,994
Grants	46,690	-	46,690
Fundraising	17,314	-	17,314
Miscellaneous	6,501	-	6,501
Interest and Dividends	477	644	1,121
TOTAL PUBLIC SUPPORT AND REVENUE	94,725	894	95,619
NET ASSETS RELEASED FROM RESTRICTIONS	4,959	(4,959)	-
Restrictions satisfied by offering scholarships	99,684	(4,065)	95,619
TOTAL SUPPORT AND RECLASSIFICATIONS EXPENSES	99,684	(4,065)	95,619
Program Services			
Education Grants and Funding	94,829	-	94,829
Total Program Services	94,829	-	94,829
Supporting Services			
General and Administrative	11,637	-	11,637
Fundraising	4,175	-	4,175
Total Supporting Services	15,812	0	15,812
TOTAL EXPENSES	110,640	0	110,640
CHANGE (DECREASE) IN NET ASSETS	(10,956)	(4,065)	(15,021)
NET ASSETS - JULY 1, 2006	55,898	11,570	67,469
NET ASSETS - JUNE 30, 2007	\$ 44,942	\$ 7,505	\$ 52,448

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
CLAY COUNTY EDUCATION FOUNDATION, INC.
FOR THE YEAR ENDED JUNE 30, 2006
(RESTATED)

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE			
Contributions and Support	\$ 41,183	-	\$ 41,183
Grants	40,583	-	40,583
Fundraising	16,259	-	16,259
Miscellaneous	130	-	130
Interest and Dividends	735	392	1,127
TOTAL PUBLIC SUPPORT AND REVENUE	<u>98,890</u>	<u>392</u>	<u>99,282</u>
NET ASSETS RELEASED FROM RESTRICTIONS	1,750	(1,750)	-
Restrictions satisfied by offering scholarships	100,640	(1,358)	99,282
TOTAL SUPPORT AND RECLASSIFICATIONS EXPENSES			
Program Services			
Education Grants and Funding	101,960	-	101,960
Total Program Services	<u>101,960</u>	<u>-</u>	<u>101,960</u>
Supporting Services			
General and Administrative	8,920	-	8,920
Fundraising	4,185	-	4,185
Total Supporting Services	<u>13,105</u>	<u>0</u>	<u>13,105</u>
TOTAL EXPENSES	<u>115,065</u>	<u>0</u>	<u>115,065</u>
CHANGE (DECREASE) IN NET ASSETS	<u>(14,425)</u>	<u>(1,358)</u>	<u>(15,782)</u>
NET ASSETS - JULY 1, 2005	70,323	12,928	83,251
NET ASSETS - JUNE 30, 2006	<u>\$ 55,898</u>	<u>\$ 11,570</u>	<u>\$ 67,469</u>

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
CLAY COUNTY EDUCATION FOUNDATION, INC.
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(RESTATED)

	June 30, 2007	June 30, 2006
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ (15,021)	\$ (15,782)
Depreciation	230	460
Changes in Asset and Liability Accounts:		
Prepaid Expense (Increase) Decrease	1,000	(1,000)
Funds held by Others (Increase) Decrease	8,311	(1,737)
Accounts Payable Increase	1,889	10,750
NET CASH USED BY OPERATING ACTIVITIES	(3,591)	(7,309)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Purchase of Investments	\$ (8,300)	(21,117)
Proceeds from Sale of Investments	20,774	-
CASH FLOWS PROVIDED (USED) BY INVESTMENT ACTIVITIES	12,474	(21,117)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,883	(28,426)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	35,338	63,766
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 44,221	\$ 35,340

See accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES
CLAY COUNTY EDUCATIONAL FOUNDATION, INC.
FOR THE YEAR ENDED JUNE 30, 2007

	<u>EDUCATION</u> <u>GRANTS/FUNDING</u>	<u>GENERAL AND</u> <u>ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
OPERATING EXPENSES				
Mini-Grants to School Teachers	\$ 27,033	-	-	\$ 27,033
Scholarships to Students	22,250	-	-	22,250
Black Stallion Literacy Project	19,648	-	-	19,648
Enrichment Programs	21,003	-	-	21,003
Teacher of the Year	2,000	-	-	2,000
Project Graduation	950	-	-	950
Project Reach	825	-	-	825
Student Medical Assistance	1,120	-	-	1,120
Depreciation	-	230	-	230
Professional Fees	-	4,000	-	4,000
Banquet	-	-	-	-
Miscellaneous Expense	-	2,480	-	2,480
Fundraising	-	-	4,175	4,175
Supplies	-	1,479	-	1,479
Computer Equipment	-	1,286	-	1,286
Printing & Postage	-	1,292	-	1,292
Dues	-	870	-	870
TOTAL EXPENSES	\$ 94,829	\$ 11,637	\$ 4,175	\$ 110,640

See accompanying notes to financial statements.