

CLAY COUNTY EDUCATION FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2006 and 2005

CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities June 30, 2006	3
Statement of Activities June 30, 2005	4
Statement of Cash Flows	5
Statement of Functional Expenses June 30, 2006	6
Statement of Functional Expenses June 30, 2005	7
Notes to Financial Statements	8-9
Independent Auditor's Report on Internal Controls	10-11
Supplemental Information	
Response to Clay County Education Foundation, Inc. Audit 2005-2006 Observations Dated December 12, 2006	12

Teresa Harrington

Certified Public Accountant & Financial Consultant

358 STILES AVENUE
ORANGE PARK, FL 32073
PHONE (904) 215-2256
FAX (904) 215-2258

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, 2006 and 2005, 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.

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, 2006 and 2005 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 12, 2006

**STATEMENT OF FINANCIAL POSITION
CLAY COUNTY EDUCATION FOUNDATION, INC.
JUNE 30, 2006 and 2005**

	June 30, 2006	June 30, 2005
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$35,338	\$63,766
Investments	10,302	-
Investments - Restricted for Scholarships	10,816	-
Prepaid Expenses	1,000	-
TOTAL CURRENT ASSETS	57,455	63,766
Property and Equipment	1,840	1,840
Less: Accumulated Depreciation	(1,610)	(1,150)
Property and Equipment, Net	230	690
TOTAL ASSETS	\$57,685	\$64,456
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Scholarships Payable	\$10,750	\$0
NET ASSETS		
Unrestricted	35,365	51,528
Temporarily Restricted	11,570	12,928
TOTAL NET ASSETS	46,935	64,456
TOTAL LIABILITIES AND NET ASSETS	\$57,685	\$64,456

See accompanying notes to financial statements.

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

	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			
Restrictions satisfied by offering scholarships	1,750	(1,750)	-
TOTAL SUPPORT AND RECLASSIFICATIONS EXPENSES	<u>100,640</u>	<u>(1,358)</u>	<u>99,282</u>
Program Services			
Education Grants and Funding	103,698	-	103,698
Total Program Services	<u>103,698</u>	<u>-</u>	<u>103,698</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>116,803</u>	<u>0</u>	<u>116,803</u>
CHANGE (DECREASE) IN NET ASSETS	<u>(16,163)</u>	<u>(1,358)</u>	<u>(17,521)</u>
NET ASSETS - JULY 1, 2005	51,528	12,928	64,456
NET ASSETS - JUNE 30, 2006	<u>\$35,365</u>	<u>\$11,570</u>	<u>\$46,935</u>

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
CLAY COUNTY EDUCATION FOUNDATION, INC.
FOR THE YEAR ENDED JUNE 30, 2005

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUE			
Contributions and Support	\$ 41,377	\$ -	\$ 41,377
Grants	14,691	-	14,691
Fundraising	13,178	-	13,178
Interest and Dividends	336	310	646
TOTAL PUBLIC SUPPORT AND REVENUE	<u>69,582</u>	<u>310</u>	<u>69,892</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions satisfied by offering scholarships	2,500	(2,500)	-
TOTAL SUPPORT AND RECLASSIFICATIONS EXPENSES	<u>2,500</u>	<u>(2,190)</u>	<u>69,892</u>
Program Services			
Education Grants and Funding	62,501	-	62,501
Special Projects	2,813	-	2,813
Total Program Services	<u>65,314</u>	<u>-</u>	<u>65,314</u>
Supporting Services			
General and Administrative	4,066	-	4,066
Fundraising	3,190	-	3,190
Total Supporting Services	<u>7,256</u>	<u>0</u>	<u>7,256</u>
TOTAL EXPENSES	<u>72,570</u>	<u>0</u>	<u>72,570</u>
CHANGE (DECREASE) IN NET ASSETS	<u>(488)</u>	<u>(2,190)</u>	<u>(2,678)</u>
NET ASSETS - JULY 1, 2004	52,016	15,118	67,134
NET ASSETS - JUNE 30, 2005	<u>\$51,528</u>	<u>\$12,928</u>	<u>\$64,456</u>

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS
CLAY COUNTY EDUCATION FOUNDATION, INC.
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	June 30, 2006	June 30, 2005
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	(\$17,521)	(\$2,678)
Depreciation	460	460
Changes in Asset and Liability Accounts:		
Due from School Board Decrease	-	221
Due from State of Florida Decrease	-	780
Interest Receivable Decrease	-	75
Prepaid Expense Increase	(1,000)	-
Scholarships Payable Increase	10,750	-
NET CASH USED BY OPERATING ACTIVITIES	(7,311)	(1,142)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Purchase of Investments	(21,117)	-
Proceeds from Sale of Investments	-	33,985
CASH FLOWS PROVIDED (USED) BY INVESTMENT ACTIVITIES	(21,117)	33,985
NET INCREASE IN CASH AND CASH EQUIVALENTS	(28,428)	32,843
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	63,766	30,923
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$35,338	\$63,766

See accompanying notes to financial statements.

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

	<u>EDUCATION</u>	<u>GENERAL AND</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
	<u>GRANTS/FUNDING</u>	<u>ADMINISTRATIVE</u>		
OPERATING EXPENSES				
Mini-Grants to School Teachers	\$ 55,696	-	-	\$ 55,696
Scholarships to Students	23,525	-	-	23,525
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
	<u>\$ 103,698</u>	<u>\$ 8,920</u>	<u>\$ 4,185</u>	<u>\$ 116,803</u>
TOTAL EXPENSES				

See accompanying notes to financials statements.

STATEMENT OF FUNCTIONAL EXPENSES
CLAY COUNTY EDUCATIONAL FOUNDATION, INC.
FOR THE YEAR ENDED JUNE 30, 2005

	<u>EDUCATION GRANTS/FUNDING</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
OPERATING EXPENSES				
Mini-Grants to School Teachers	\$ 26,121	-	-	\$ 26,121
Scholarships to Students	11,025	-	-	11,025
Black Stallion Literacy Project	11,618	-	-	11,618
Enrichment Programs	13,737	-	-	13,737
Teacher of the Year	2,000	-	-	2,000
Project Graduation	200	-	-	200
Project Reach	120	-	-	120
Student Medical Assistance	139	-	-	139
Conference Fees	120	-	-	120
Depreciation	-	460	-	460
Professional Fees	-	2,000	-	2,000
Banquet	-	-	3,190	3,190
Miscellaneous Expense	183	-	-	183
Supplies	51	378	-	429
Printing & Postage	-	128	-	128
Dues	-	1,100	-	1,100
TOTAL EXPENSES	\$ 65,314	\$ 4,066	\$ 3,190	\$ 72,570

See accompanying notes to financial statements.

CLAY COUNTY EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 and 2005

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, 2006 and 2005
(Concluded)

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 16% and 19% of total revenues for 2006 and 2005 fiscal years, respectively.

Property and Equipment

Property and equipment (other than donated property) are stated at cost. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets.

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.

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.

Teresa Harrington

Certified Public Accountant & Financial Consultant

358 STILES AVENUE
ORANGE PARK, FL 32073
PHONE (904) 215-2256
FAX (904) 215-2258

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, 2006, 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.

I noted that duties involving cash receipts were combined during the year, whereby one employee is responsible for several steps in the cash receipts process. This employee writes grants, requests contributions, receives all cash and/or checks and prepares the deposit for all cash receipts. I recommend that one employee, independent of the accounting function, receive all incoming receipts and make the bank deposit. By segregating the cash handling, depositing, and recording functions, the Foundation will improve the safeguarding of receipts and strengthen the system of internal control over cash receipts.

I noted that duties involving cash disbursements were combined during the year, whereby one employee is responsible for several steps in the cash disbursements process. This employee writes checks, signs checks and prepares all bank reconciliations. I recommend that another employee, maybe the executive director, sign all checks and review the bank reconciliations along with the bank statement. By segregating the check writing, check signing and bank reconciliation between two employees, the Foundation will strengthen the system of internal control over cash disbursements.

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, 2006 financial statements, and this report does not affect my report on those financial statements dated December 12, 2006.

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.

Debra Hamilton, CPA

Orange Park, Florida
December 12, 2006

SUPPLEMENTAL INFORMATION

Response to Clay County Education Foundation, Inc. audit 2005-2006 observations dated December 12, 2006.

Teresa Harrington, CPA
358 Styles Avenue
Orange Park, Florida 32073

The Clay County Education Foundation, Inc., on December 12, 2006, voted unanimously to implement the following changes to its internal accounting procedures.

1. Cash Receipts

To insure that all receipts are posted correctly, a Clay County School Board employee or a member of the Clay County Education Foundation, other than the Executive Director or the Treasurer, will receive, record and copy, and deposit all receipts.

2. Cash Disbursements

To insure that all disbursements are posted correctly, the Treasurer will write checks as approved by the Clay County Education Foundation. The Treasurer will then have a member of the Clay County Education Foundation, other than the Executive Director, review and sign the checks.

Clay County Education Foundation
December 12, 2006