

The School Foundation, Inc.

Financial Statement

Years Ended June 30, 2008 and 2007

The School Foundation, Inc.

Florence, South Carolina

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MUNN & ASSOCIATES, PC

Certified Public Accountants

POST OFFICE BOX 3407

FLORENCE, SOUTH CAROLINA 29502-3407

(843) 678-9544

FACSIMILE (843) 678-9547

Report of Independent Auditors

Board of Directors
The School Foundation, Inc.
Florence, South Carolina

We have audited the accompanying statement of financial position of The School Foundation, Inc., (a non-profit organization) as of June 30, 2008 and 2007 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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. We believe that our audit provides 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 Organization, as of June 30, 2008 and 2007, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Munn & Associates, PC

Munn & Associates, PC
Florence, SC
October 2, 2008

The School Foundation, Inc.

Balance Sheet

June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 172,962 | \$ 199,293 |
| Accounts receivable, net | - | 14,000 |
| Investments | 1,335,863 | 1,377,464 |
| Prepaid expenses | 2,002 | 2,485 |
| Other current asset | 10,500 | - |
| | <hr/> | <hr/> |
| Total current assets | 1,521,327 | 1,593,242 |
| | <hr/> | <hr/> |
| FIXED ASSETS | 7,267 | 8,229 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 1,528,594</u> | <u>\$ 1,601,471</u> |
| | <hr/> | <hr/> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ - | \$ 811 |
| Deferred income | 22,581 | 14,260 |
| | <hr/> | <hr/> |
| TOTAL CURRENT LIABILITES / TOTAL LIABILITIES | 22,581 | 15,071 |
| | <hr/> | <hr/> |
| NET ASSETS | | |
| Unrestricted | 1,491,013 | 1,586,400 |
| Temporarily restricted | 15,000 | |
| Permanently restricted | - | |
| | <hr/> | <hr/> |
| Total net assets | 1,506,013 | 1,586,400 |
| | <hr/> | <hr/> |
| TOTAL LIABILITES AND NET ASSETS | <u>\$ 1,528,594</u> | <u>\$ 1,601,471</u> |
| | <hr/> | <hr/> |

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

The School Foundation, Inc.

Statement of Activities

Years ended June 30, 2008 and 2007

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2008 | Total 2007 |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| REVENUE AND OTHER SUPPORT | | | | | |
| Contributions | \$ 88,624 | \$ 20,000 | | \$ 108,624 | \$ 20,331 |
| Special events | | | | - | |
| Harry Carson Celebrity Golf Classic | | - | - | - | 178,210 |
| Annual Celebration Gala | 157,869 | - | - | 157,869 | 152,450 |
| Investment income | (72,983) | - | - | (72,983) | 195,688 |
| | <u>173,510</u> | <u>20,000</u> | <u>-</u> | <u>193,510</u> | <u>546,679</u> |
| EXPENSES | | | | | |
| <i>Scholarships and awards</i> | - | | | - | |
| Programs: | | | | | |
| Grant programs: | | | | | |
| Manufacturing and Health Sciences Jobs | | - | - | - | 109,000 |
| "Creative Society" Career Paths | | | | | 71,500 |
| Bridging the Divide | 89,863 | | | 89,863 | - |
| Mini grants | 4,820 | - | - | 4,820 | - |
| Total grant programs | <u>94,683</u> | <u>-</u> | <u>-</u> | <u>94,683</u> | <u>180,500</u> |
| Special events: | | | | | |
| Harry Carson Celebrity Golf Classic | | - | - | - | 100,932 |
| Annual Celebration Gala | 62,848 | - | - | 62,848 | 72,869 |
| Total special events | <u>62,848</u> | <u>-</u> | <u>-</u> | <u>62,848</u> | <u>173,801</u> |
| Total Programs | 157,531 | - | - | 157,531 | 354,301 |
| <i>Fund-raising</i> | 58,218 | | - | 58,218 | 7,628 |
| <i>General and administrative</i> | <u>58,148</u> | <u>-</u> | <u>-</u> | <u>58,148</u> | <u>81,629</u> |
| Total expenses | <u>273,897</u> | <u>-</u> | <u>-</u> | <u>273,897</u> | <u>443,558</u> |
| Change in net assets before restriction releases | (100,387) | 20,000 | - | (80,387) | 103,121 |
| Net assets released from restrictions | | | | | |
| Restriction satisfied by passage of time | <u>5,000</u> | <u>(5,000)</u> | | <u>-</u> | <u>-</u> |
| Change in net assets after restriction releases | (95,387) | 15,000 | - | (80,387) | 103,121 |
| Net assets, beginning of year | <u>1,586,400</u> | <u>-</u> | <u>-</u> | <u>1,586,400</u> | <u>1,483,279</u> |
| NET ASSETS, END OF YEAR | <u>\$ 1,491,013</u> | <u>\$ 15,000</u> | <u>\$ -</u> | <u>\$ 1,506,013</u> | <u>\$ 1,586,400</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

The School Foundation, Inc.

Statement of Cash Flows

For the year ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (80,387) | \$ 103,121 |
| Adjustment to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation | 962 | 933 |
| (Increase) decrease in operating assets: | | |
| (Increase) decrease in accounts receivable | 14,000 | (10,000) |
| (Increase) decrease in prepaid expenses | 483 | (1,554) |
| (Increase) decrease in other current asset | (10,500) | |
| Increase (decrease) in accounts payable | (811) | (14,638) |
| Increase (decrease) in accrued expenses | | (1,053) |
| Increase (decrease) in deferred income | <u>8,321</u> | <u>14,260</u> |
| <i>Net cash provided (used) from operating activities</i> | <u>(67,932)</u> | <u>91,069</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of securities | | (304,647) |
| Sale of securities | 41,601 | 1,541 |
| Net unrealized and realized (gain) loss on investments | | 131,241 |
| Purchase of equipment | | <u>(320)</u> |
| <i>Net cash provided (used) in investing activities</i> | <u>41,601</u> | <u>(172,185)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (26,331) | (81,116) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>199,293</u> | <u>280,409</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 172,962</u> | <u>\$ 199,293</u> |
| SUPPLEMENTAL INFORMATION | | |
| | <u>None</u> | <u>None</u> |

The School Foundation, Inc.

Statement of Functional Expense

For the years ended June 30, 2008 and 2007

| | Program Services | Management and General | Fund Raising | Total | |
|---|---------------------|---------------------------|-----------------|------------|------------|
| | | | | 2008 | 2007 |
| Grants | \$ 94,683 | \$ - | \$ - | \$ 94,683 | \$ 180,500 |
| Salaries & wages | | 21,670 | 47,100 | 68,770 | 44,000 |
| Payroll taxes | | 1,677 | 3,564 | 5,241 | 3,416 |
| Total salaries and related expenses | 94,683 | 23,347 | 50,664 | 168,694 | 227,916 |
| Conferences, meetings and training | | 1,526 | - | 1,526 | 1,242 |
| Depreciation and amortization | | 962 | | 962 | 933 |
| Equipment expense and maintenance | | 698 | | 698 | 238 |
| Insurance | | 2,384 | | 2,384 | |
| Miscellaneous | | 223 | | 223 | 986 |
| Occupancy | | 9,391 | | 9,391 | 4,506 |
| Postage | | 953 | | 953 | 483 |
| Professional fees and contract services | | 15,683 | | 15,683 | 17,989 |
| Promotion & printing | | | 7,554 | 7,554 | 8,506 |
| Supplies | | 2,981 | | 2,981 | 6,958 |
| Total expenses | \$ 94,683 | \$ 58,148 | \$ 58,218 | \$ 211,049 | \$ 269,757 |

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

The School Foundation, Inc.

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 1 - Description of Organization

The School Foundation, Inc. ("Organization") is a voluntary Organization of individuals operated collectively to serve the needs and interests and advance the general welfare to the Florence, South Carolina School District Number One.

The Organization promotes excellence in Florence School District Number One through grants for innovative and high impact programs designed to benefit all children.

NOTE 2 - Significant Accounting Policies

The accounting and reporting policies of the Organization comply with the accounting and reporting provisions of the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not for Profit Organizations*.

Net Assets. Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets. Unrestricted net assets are utilized to account for public support and program revenues that are unrestricted in nature. Donor restricted contributions whose restrictions are met in the year of contribution are reported as unrestricted support.

Temporarily Restricted Net Assets. Temporarily restricted net assets are utilized to account for contributions that are donor restricted for uses, which have not yet been fulfilled either by time or purpose. Net assets restricted for construction of buildings or equipment are considered temporarily restricted until the assets are placed in service by the Organization.

Permanently Restricted Net Assets. Permanently restricted net assets represent donor restricted endowments whereby the use of principal is prohibited. The income generated by these endowments may be unrestricted or designated for a specific program support by the donor.

Public Support and Revenue. Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. There were no unconditional promises to give at June 30, 2008 and 2007. The majority of the contributions are received from a broad base of individuals and businesses located in the Florence, South Carolina School District Number One geographical area.

The Organization conducts two major fundraisers per year as follows: The Harry Carson Celebrity Golf Classic and The School Foundation, Inc. Gala. Contributions for each of these events are recorded as deferred income until the event is held. The receipts are transferred to income in the period of the event.

Donated Leases, Materials and Services. Donated leases are reflected as contributions in the accompanying financial statements at their estimated fair value at the date the contribution becomes an unconditional promise to give. Donated materials are recorded as contributions and expenses at the time the donated items are placed into service or distributed.

Donated services are reported as contributions and expenses at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by contribution, require

The School Foundation, Inc.

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 2 - Significant Accounting Policies (continued)

specialized skills and are provided by individuals possessing such specialized skills. Donated services received include construction management, consulting services and teachers. A substantial number of volunteers have donated significant amounts of time and services in the Organization's program operations and in its fund-raising campaigns. However, such contributed services do not meet the criteria for recognition of contributed services and, accordingly, are not reflected in the accompanying consolidated financial statements.

Cash Equivalents. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Certificates of deposit are not included in cash on the statement of cash flows because their maturity is greater than three months.

Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets 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.

Other Current Asset. The other current assets consist of a donated personal water craft auctioned July 12, 2008.

Fixed Assets. It is the Organization's policy to capitalize fixed assets over \$500. Lesser amounts are expensed. Purchased fixed assets are capitalized at cost. Donations of fixed assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Fixed assets are depreciated using the straight-line method.

Compensated Absences. It is the Organization's policy to permit employees to accumulate a limited amount of earned, but unused vacation and sick pay, which will be paid to employees upon separation from the Organization's service. Accumulated unpaid holiday, vacation and sick pay are accrued as incurred.

Deferred Revenue. The Organization recognizes revenue as earned. Amounts are generally billed and collected in the month prior to the period earned. Therefore, amounts billed and collected prior to the period earned are recorded as a liability under "Deferred revenue" and recognized in the period earned (typically the following month).

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The School Foundation, Inc.

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 3 - Concentrations

Deposits. The Organization has a significant concentration of credit risk arising from cash deposits in excess of federally insured limits (FDIC). See note 4.

| | |
|-----------------------------|--------------------------|
| Cash in bank, June 30, 2008 | \$ 261,105 |
| Less: FDIC insured amount | <u>113,027</u> |
| Uninsured cash | <u><u>\$ 148,078</u></u> |

NOTE 4 – Cash and cash equivalents

Deposits are categorized into these three categories of credit risk:

- (1) Insured or collateralized with securities held by the Organization or its agent in the Organization's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.
- (3) Collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Organization's name.

Deposits. The carrying amount of the Organization's deposits with financial institutions at June 30, 2008 was \$172,962 and the bank balance was \$261,105. \$148,078 of the bank balance was not insured or covered by collateral at June 30, 2008. Based on the above criteria, the Organization's deposits at June 30, 2008 are classified as follows:

| | <u>1</u> | <u>CATEGORY</u> <u>2</u> | <u>3</u> | <u>Unsecured and</u> <u>Uninsured</u> | <u>Bank</u> <u>Balance</u> |
|----------|--------------------------|-----------------------------|--------------------|--|-------------------------------|
| Deposits | <u>\$ 113,027</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 148,078</u> | <u>\$ 261,105</u> |
| Totals | <u><u>\$ 113,027</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 148,078</u></u> | <u><u>\$ 261,105</u></u> |

The School Foundation, Inc.

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 4 – Cash and cash equivalents (continued)

Cash is invested as follows:

| | | |
|-----------------------------|-----------|----------------|
| Cash on hand | \$ | 400 |
| Short-term interest bearing | | 172,562 |
| | \$ | 172,962 |

NOTE 5 - Accounts Receivable

Accounts receivable consists of Golf contributions that were unpaid at June 30, 2007. Management considers an allowance for uncollectibles unnecessary since the entire balance was collected in the subsequent months.

NOTE 6 – Investments

Investments are stated at fair value. The fair values and unrealized appreciation (depreciation) at June 30, 2008 and 2007 are summarized as follows:

| | June 30, 2008 | | | June 30, 2007 | | |
|--------------|--|---------------------|--|---------------------|---------------------|--|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| | Investments restricted to Registered Investment Companies | | | | | |
| Equities | \$ 949,700 | \$ 935,664 | \$ (14,036) | \$ 856,890 | \$ 993,863 | \$ 136,973 |
| Fixed income | 398,601 | 400,199 | 1,598 | 389,333 | 383,601 | (5,732) |
| | \$ 1,348,301 | \$ 1,335,863 | \$ (12,438) | \$ 1,246,223 | \$ 1,377,464 | \$ 131,241 |

The following schedule summarizes the investment return and its classification for the years ended June 30, 2008 and 2007.

| | Unrestricted | |
|-----------------------------------|--------------------|-------------------|
| | 2008 | 2007 |
| Interest and dividend income | \$ 60,306 | \$ 63,036 |
| Net realized and unrealized gains | (133,289) | 132,652 |
| Total investment return | \$ (72,983) | \$ 195,688 |

The School Foundation, Inc.

Notes to Financial Statements

June 30, 2008 and 2007

NOTE 7 – Fixed Assets

The components of fixed assets recorded in the financial statements are as follows:

| | Estimated Useful Life in Years | 2008 | 2007 |
|--------------------------------|--------------------------------------|-----------------|-----------------|
| Furniture and office equipment | 7 | \$ 9,620 | \$ 9,620 |
| Less: accumulated depreciation | | 2,353 | 1,391 |
| | | <u>\$ 7,267</u> | <u>\$ 8,229</u> |

Depreciation expense was \$962 and \$933 for the years ended June 30, 2008 and 2007.

NOTE 8 – Deferred Income

Deferred income at June 30, 2008 and 2007 consists of the following:

| | 2008 | 2007 |
|--|------------------|------------------|
| Annual Celebration Gala, September 18, 2008 and September 21, 2007 | \$ 11,000 | \$ 14,260 |
| Personal water craft drawing, July 12, 2008 | 11,581 | - |
| | <u>\$ 22,581</u> | <u>\$ 14,260</u> |

NOTE 9 – Donated facilities

The Organization uses office spaces, utilities and security donated annually by the Florence-Darlington Technical College. The estimated value is recorded as both non-cash donations and occupancy expenses in the financial statements of the Organization.

NOTE 10 - Tax Status

The School Foundation, Inc. was incorporated as a nonprofit Organization on February 7, 2000 and is exempt from federal income taxation under Section 501(a) as an Organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.