

**LEXINGTON COUNTY SCHOOL DISTRICT ONE
EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

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YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lexington County School District One Educational Foundation
Lexington, South Carolina

We have audited the accompanying financial statements of Lexington County School District One Educational Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued on next page)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lexington County School District One Educational Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Burkett Burkett & Burkett

BURKETT BURKETT & BURKETT
Certified Public Accountants, P.A.
West Columbia, South Carolina
November 9, 2020

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2020

ASSETS

| | | |
|---------------------------|-----------|------------------|
| Cash and Cash Equivalents | \$ | 281,360 |
| Certificate of Deposit | | 254,479 |
| Mutual Funds | | 870,494 |
| TOTAL ASSETS | \$ | 1,406,333 |

NET ASSETS

| | | |
|---------------------------------------|-----------|------------------|
| Net Assets without Donor Restrictions | \$ | 256,910 |
| Net Assets with Donor Restrictions | | 1,149,423 |
| TOTAL FUND BALANCE | \$ | 1,406,333 |

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

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON , SOUTH CAROLINA**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

| REVENUES | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|----------------------------------------|------------------------------------------------------|---------------------------------------------------|---------------------|
| Public Support: | | | |
| Contributions | \$ 7,831 | \$ 277,985 | \$ 285,816 |
| Other Revenue: | | | |
| Net Investment Income | 89,548 | 14,598 | 104,146 |
| Administrative Fees | 175 | - | 175 |
| Net Assets Released From Restrictions: | | | |
| Restrictions Satisfied by Payments | 381,589 | (381,589) | - |
| TOTAL REVENUES | 479,143 | (89,006) | 390,137 |
| EXPENSES | | | |
| Program Services | 350,498 | - | 350,498 |
| Supporting Services: | | | |
| Management and General | 50,130 | - | 50,130 |
| Fundraising | 7,397 | - | 7,397 |
| TOTAL EXPENSES | 408,025 | - | 408,025 |
| CHANGES IN NET ASSETS | 71,118 | (89,006) | (17,888) |
| NET ASSETS, Beginning of Year | 185,792 | 1,238,429 | 1,424,221 |
| NET ASSETS, End of year | \$ 256,910 | \$ 1,149,423 | \$ 1,406,333 |

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

LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON , SOUTH CAROLINA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|--------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| EXPENSES | | | | |
| Scholarships and Other Objects | \$ 287,229 | \$ - | \$ - | \$ 287,229 |
| Salaries | 26,956 | 26,956 | - | 53,912 |
| Benefits | 9,922 | 9,922 | - | 19,844 |
| Purchased Services | 9,966 | 13,252 | 6,322 | 29,540 |
| Supplies | 16,425 | - | 1,075 | 17,500 |
| TOTAL EXPENSES | \$ 350,498 | \$ 50,130 | \$ 7,397 | \$ 408,025 |

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

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON , SOUTH CAROLINA**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets \$ (17,888)

NET CASH PROVIDED BY/USED IN OPERATING ACTIVITIES (17,888)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments (104,087)

NET CASH USED IN INVESTING ACTIVITIES (104,087)

NET DECREASE IN CASH (121,975)

CASH AND CASH EQUIVALENTS, Beginning of Year 403,335

CASH AND CASH EQUIVALENTS, End of year \$ 281,360

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

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lexington County School District One Educational Foundation (the “Foundation”)’s mission is to support the educational process and enrich the quality of life in our community by raising and managing funds.

Reporting Entity

The Foundation generates and manages donated funds exclusively for the benefit of the School District. Also, the School District’s Board of Trustees can significantly influence the operations of the Foundation. As a result, the Foundation’s financial statements are included in those of the School District as a blended component unit.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for not-for-profit organizations and represent the operations of the Foundation.

Net assets and contribution revenues are classified into two categories, based on the existence or absence of donor-imposed restrictions. The categories are net assets without donor restrictions and net assets with donor restrictions.

Contributions

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and cash equivalents

For purposes of reporting the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held in checking and short-term accounts.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

Financial instruments that potentially expose the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution when bank deposits exceed federally insured limits. Those balances are insured by the Federal Insurance Corporation (FDIC) up to \$250,000.

Investments

Investments are reported at fair market value. Realized gains or losses on sales of securities are the difference between proceeds received and the original cost of the securities and are reflected within net investment income in the Statement of Activities. The change in the difference between the market value and the cost of the securities is reflected in the Statement of Activities within net investment income.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Foundation's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and 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.

Income Taxes

The Foundation is exempt from the federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2020.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program, management and general and fundraising services. Such allocations are determined by management on an equitable basis.

Salaries and benefits are allocated based on employee time and effort.

Recently Issued Accounting Pronouncements

In May 2014, the FASB added Topic 606, “Revenue from Contracts with Customers” to establish principles to report useful information about the nature, amount, timing and uncertainty of revenue from contracts with customers. This standard supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Foundation has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly with no effect on net assets.

In June 2018, the FASB amended the Not-for-Profit Entities Topic of the Accounting Standards Codification to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provision of ASU 2018-08 under a modified prospective basis with no effect on net assets.

In February 2016, the FASB amended the Leases Topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the effect that implementation of the new standard will have on the Foundation’s financial statements.

NOTE B – CUSTODIAL CREDIT RISK

As of June 30, 2020, the Foundation had \$8,913 of uninsured deposits.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE C – INVESTMENTS

As of June 30, 2020, the Foundation’s investments consist of the following:

| | | |
|------------------------|----|------------------|
| Certificate of Deposit | \$ | 254,479 |
| Mutual Funds | | 870,494 |
| Total | \$ | <u>1,124,973</u> |

The Foundation handles and is responsible for the investment of voluntary contributions and financial gifts given to it by private individuals or companies to benefit the School District. The Foundation does not handle any public funds received by the School District.

The Foundation has developed its own investment guidelines that are broader in scope than the state mandated guidelines that are described in the District’s Comprehensive Annual Financial Report. The Foundation’s investments are in a certificate of deposit and marketable securities, which consist of mutual funds. The investments are recorded at fair value on the Statement of Financial Position. As of June 30, 2020, the Foundation had mutual funds valued at \$870,494. Net investment income for the year ended June 30, 2020 was \$104,146.

NOTE D – FAIR VALUE MEASUREMENTS

The Foundation’s financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by U.S. GAAP. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The levels of the fair value hierarchy are as follows:

- Level 1 Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

Level 3 Certain inputs are unobservable (support by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The certificate of deposit and marketable securities were valued based on Level 1 inputs. The mutual funds were valued at the net asset value of shares held by the Foundation at year-end based on the closing prices reported on the active markets in which the securities were traded.

NOTE E – RELATED PARTY TRANSACTIONS

The School District’s General Fund provides funding for the Foundation’s activities, including payroll services, and received reimbursement from the Foundation. As of June 30, 2020, the Foundation had no outstanding liabilities owed to the School District.

NOTE F – AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets at June 30, 2020:

| | | |
|-------------------------------------------------------------------------------------|-------------------------|-----------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ | 281,360 |
| Certificate of deposit | | 254,479 |
| Mutual funds | | 870,494 |
| | Total financial assets: | <u>1,406,333</u> |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | | 1,149,423 |
| Less net assets with purpose restrictions to be met in less than a year | | <u>(200,000)</u> |
| | | <u>949,423</u> |
| Financial assets available to meet general expenditures over the next twelve months | \$ | <u><u>456,910</u></u> |

As part of the Foundation’s liquidity plan, excess cash is invested in a certificate of deposit and mutual funds.

**LEXINGTON COUNTY SCHOOL DISTRICT ONE EDUCATIONAL FOUNDATION
LEXINGTON, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020, the Foundation maintains eleven scholarship funds with donor-restricted principal balances of \$10,000 each, for a total of \$110,000. Only the interest earned on these funds is available for spending. These funds are reported as net assets with donor restrictions on the statement of financial position and are listed as “Educational Scholarships – Nonexpendable” in the listing of net assets with donor restrictions on the next page. As of June 30, 2020, net assets with donor restrictions are available for the following programs:

| | | |
|------------------------------------------|----|------------------|
| Caring Heart Fund | \$ | 7,575 |
| Cats Kick Cancer | | 25,489 |
| Chick-fil-A Leadercast | | 1,058 |
| Class of 1971 Baseball | | 467 |
| Community Give Back | | 1,653 |
| Curtis Bell Memorial Locker Room | | 12,493 |
| Educational Scholarships – Expendable | | 188,914 |
| Educational Scholarships – Nonexpendable | | 110,000 |
| ESOL | | 4,049 |
| International Teacher Fund | | 5,375 |
| Leading As One | | 14,442 |
| Lexington 1 Community Coalition | | 2,314 |
| LEAP Employee Fund | | 623,325 |
| LEAP Education Assistance | | 50,953 |
| Major Gift Campaign | | 56,083 |
| Michelin Teacher Awards | | 2,576 |
| Referendum Money | | 28,853 |
| STEM Labs | | 8,511 |
| Teacher Appreciation | | 3,566 |
| Walter P Rawl School Garden | | 1,727 |
| Total Net Assets with Donor Restrictions | \$ | <u>1,149,423</u> |

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2020, the date on which the financial statements were available to be issued.