

**BAY EDUCATION FOUNDATION, INC.**  
**Panama City, Florida**

**Independent Auditor's Report**

**and**

**Financial Statements**

**June 30, 2017**

BAY EDUCATION FOUNDATION, INC.  
Panama City, Florida

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bay Education Foundation, Inc.  
Panama City, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Bay Education Foundation, Inc., which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and functional expenses, changes in net assets 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 the 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 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 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 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Education Foundation, Inc., as of June 30, 2017, and the results of its activities and functional expenses, changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2017, on our consideration of Bay Education Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 in considering Bay Education Foundation, Inc.'s internal control over financial reporting and compliance.

*Smith Miles & Company, P.A*

Panama City, Florida  
September 1, 2017

BAY EDUCATION FOUNDATION, INC.  
Statement of Financial Position  
June 30, 2017

ASSETS

Cash and cash equivalents	\$	3,413,355
Donations receivable		<u>2,950,000</u>
Total Assets	\$	<u>6,363,355</u>

NET ASSETS

**Net Assets:**

Net assets – unrestricted	106,512
Net assets – temporarily restricted	6,256,843
Net assets – permanently restricted	<u>-</u>
Total Net Assets	\$ <u>6,363,355</u>

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

**BAY EDUCATION FOUNDATION, INC.**  
**Statement of Activities and Functional Expenses**  
**Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue and other support:</b>				
Take Stock in Children	\$ -	151,321	-	151,321
Awards of Excellence	-	19,117	-	19,117
Pass Through Scholarships	-	15,628	-	15,628
Teacher of Year Program	-	22,957	-	22,957
Life Long Learning Scholarship	-	12,300	-	12,300
Classroom Grants	-	61,250	-	61,250
Strides for Scholars	-	18,363	-	18,363
Arts Alive	-	77,825	-	77,825
Golf Tournament	-	45,032	-	45,032
One Time Pass Through	-	92,476	-	92,476
Membership dues	42,785	-	-	42,785
Interest income	1,784	39,759	-	41,543
Other income	<u>16,594</u>	<u>3,809</u>	<u>-</u>	<u>20,403</u>
Total revenues and other support	<u>61,163</u>	<u>559,837</u>	<u>-</u>	<u>621,000</u>
<b>Expenses:</b>				
Take Stock in Children	-	153,126	-	153,126
Awards of Excellence	-	16,378	-	16,378
Pass Through Scholarships	-	21,250	-	21,250
Teacher of Year Program	-	23,257	-	23,257
Life Long Learning Scholarship	-	13,431	-	13,431
Classroom Grants	-	84,101	-	84,101
Strides for Scholars	-	7,488	-	7,488
Arts Alive	-	40,989	-	40,989
Golf Tournament	-	12,113	-	12,113
One Time Pass Through	-	89,642	-	89,642
Miscellaneous programs	-	<u>5,039</u>	<u>-</u>	<u>5,039</u>
Total program services	<u>-</u>	<u>466,814</u>	<u>-</u>	<u>466,814</u>
<b>Supporting services:</b>				
General and Administrative	<u>60,537</u>	<u>-</u>	<u>-</u>	<u>60,537</u>
Total expenses	<u>60,537</u>	<u>466,814</u>	<u>-</u>	<u>527,351</u>
Changes in net assets	\$ <u><u>626</u></u>	<u><u>93,023</u></u>	<u><u>-</u></u>	<u><u>93,649</u></u>

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

**BAY EDUCATION FOUNDATION, INC.**  
**Statement of Changes in Net Assets**  
**Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Balance, July 1, 2016</b>	\$ 105,886	6,163,820	-	6,269,706
Current year changes in net assets	<u>626</u>	<u>93,023</u>	<u>-</u>	<u>93,649</u>
<b>Balance, June 30, 2017</b>	\$ <u>106,512</u>	<u>6,256,843</u>	<u>-</u>	<u>6,363,355</u>

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

**BAY EDUCATION FOUNDATION, INC.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**

<b>Cash Flows From Operating Activities:</b>	
Cash received from Take Stock in Children	\$ 151,321
Cash received from Awards in Excellence	19,117
Cash received from Pass Through Scholarships	15,628
Cash received from Strides for Scholars	18,363
Cash received from Arts Alive	77,825
Cash received from Golf Tournament	45,032
Cash received from One Time Pass Through	92,476
Cash received from Teacher of Year Program	22,957
Cash received from Life Long Learning Scholarship	12,300
Cash received from Classroom Grants	61,250
Cash received from membership dues	42,785
Cash received from interest income	41,543
Cash received from other income	20,403
Cash paid to suppliers and programs	<u>(527,351)</u>
Net cash provided by operating activities	93,649
Cash and cash equivalents at beginning of year	<u>3,319,706</u>
Cash and cash equivalents at end of year	\$ <u>3,413,355</u>

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

**BAY EDUCATION FOUNDATION, INC.**  
**Notes to Financial Statements**  
**June 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The Bay Education Foundation, Inc., is a not-for-profit corporation organized under the laws of the State of Florida. The organization's mission is to develop the potential of our students by providing enhanced opportunities for a quality education, encouragement and incentives for all employees as well as promoting greater community involvement.

**Method of Accounting**

The financial statements of the organization have been prepared on the accrual basis of accounting.

**Estimates**

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

**Income Tax Status**

The organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Cash and Cash Equivalents**

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents at June 30, 2017 were \$405,675.

**Net Assets**

Net assets can be categorized into one of the three following categories:

**Permanently restricted net assets:**

The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the organization; (b) from other asset enhancements and diminishments subject to the same kinds of stipulations; and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

**BAY EDUCATION FOUNDATION, INC.**  
**Notes to Financial Statements - Continued**  
**June 30, 2017**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Temporarily restricted net assets:**

The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations; (b) from other asset enhancements and diminishments subject to the same kind of stipulations; and (c) reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

**Unrestricted net assets:**

The part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

2. **FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. **DONATED SERVICES**

The organization receives a significant amount of donated services from unpaid volunteers. The value of donated services did not meet the criteria of SFAS No. 116 for recognition.

4. **SUPPORTING SERVICES**

Supporting services general and administrative expenses consist of the following:

Salaries and benefits (payroll taxes and health insurance)	\$ 41,015
Board expenses	8,582
Dues and fees	2,473
Insurance	1,172
Printing	234
Office supplies	3,412
Travel	<u>3,649</u>
Total	\$ <u>60,537</u>

**BAY EDUCATION FOUNDATION, INC.**  
**Notes to Financial Statements - Continued**  
**June 30, 2017**

**5. NET ASSETS - TEMPORARILY RESTRICTED**

Temporarily restricted net assets consist of monies donated to be used for the following:

Golf Tournament	\$ 35,861
Lahan Scholarship	16,738
Bane Memorial Scholarship	4,377
Homer S. Jackson, Sr. Scholarship	11,736
Awards of Excellence	17,158
Arts Alive	44,780
Take Stock in Children	67,540
Council for Exceptional Children	7,918
Hair Memorial	5,600
Megan Pettis Scholarship	9,700
Classroom Grants	9,212
Strides for Scholars	15,040
Employee Tuition Assistance Scholarships	10,037
Christopher Jackson Memorial Scholarship	9,389
One Time Pass Through	5,000
BEF Endowment	62,725
BEF Operating Reserve	55,138
Nelson Family BDS Construction Project	5,358,279
Chapman Family BDS Construction Project	502,305
Other grants and contributions under \$4,000 each	<u>8,310</u>
Total	\$ <u>6,256,843</u>

**6. FAIR VALUE MEASUREMENTS**

The carrying amounts of cash and cash equivalents approximate fair value because of the terms and relatively short maturities of these financial instruments.

**7. SUBSEQUENT EVENTS**

The Organization did not have any other subsequent events through September 1, 2017, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended June 30, 2017.

**INDEPENDENT AUDITOR'S 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**

Board of Directors  
Bay Education Foundation, Inc.  
Panama City, Florida

We have audited, in accordance with the 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, the financial statements of Bay Education Foundation, Inc. (the Corporation), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and functional expenses, changes in net assets and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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 and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith Miles & Company, P.A.*

Panama City, Florida  
September 1, 2017