

**LAKE-SUMTER COMMUNITY  
COLLEGE FOUNDATION, INC.  
(A COMPONENT UNIT OF LAKE-SUMTER  
COMMUNITY COLLEGE)  
FOR THE YEAR ENDED DECEMBER 31, 2008**

LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.  
(A COMPONENT UNIT OF LAKE-SUMTER COMMUNITY COLLEGE)  
DECEMBER 31, 2008

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## **Independent Auditor's Report**

The Board of Trustees  
Lake-Sumter Community College Foundation, Inc.

We have audited the accompanying basic financial statements of the Lake-Sumter Community College Foundation, Inc. (the Foundation), a component unit of Lake-Sumter Community College (the College), as of and for the year then ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Foundation'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 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 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 Lake-Sumter Community College Foundation, Inc. as of December 31, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2009, on our consideration of Lake-Sumter Community College Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 4, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lake-Sumter Community College Foundation, Inc. The supplemental information on page 18 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Greentee, Kurras, Rice & Brown, P.A.*

Mount Dora, Florida

June 6, 2009

## Management's Discussion and Analysis

As management of the Lake-Sumter Community College Foundation, Inc. we offer readers of the Foundation's financial statements this narrative overview and analysis of the financial activities of the Foundation for the year then ended December 31, 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

### Financial Highlights

The Foundation's assets exceeded its liabilities at December 31, 2008 by \$18,674,696 (net assets). Of this amount, \$1,010,500 (unrestricted net assets) may be used to meet the Foundation's ongoing obligations to creditors.

The Foundation's total net assets decreased \$2,725,268 as a result of current operations for the year then ended.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Foundation's basic financial statements. The basic financial statements consist of two parts: government-wide financial statements and notes to the financial statements. This report also includes supplementary information that explains in more detail some of the information in the financial statements.

### Government-Wide Financial Statements

The government-wide financial statements of the Foundation provide a broad overview of the Foundation's finances and report information about the Foundation using accounting methods similar to those used by private sector companies.

The Statement of Net Assets presents the Foundation's asset less its liabilities at year end. The difference between these assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The Statement of Activities presents information showing how the Foundation's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

*Notes to the Financial Statements* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 9 of this report.

*Other information* - In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning the Foundation's revenues and expenses by net asset type. Required supplementary information can be found beginning on page 19 of this report.

## **Government-Wide Financial Analysis**

In accordance with accounting principles generally accepted in the United States, the Foundation implemented the provisions of Governmental Accounting Standards Board Statement Number 34, “*Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*” for its year ended December 31, 2008.

Our analysis of the government-wide financial statements of the Foundation begins below. The Statement of Net Assets and the Statement of Activities report the net assets of the Foundation and changes in them. Over time, increases or decreases in the Foundation’s net assets are one indicator of financial position. However, you will need to consider other non-financial factors such as changes in economic conditions, regulations and new or changed government legislation.

Assets of the Foundation consist primarily of pooled cash and investments of approximately \$19,459,050.

For the year ended December 31, 2008, net assets amounted to \$18,674,694. The major component of this category is the restricted. The Foundation also has unrestricted net assets of \$1,010,500 and nonexpendable net assets of \$3,874,008.

While the statement of net assets shows the change in financial position of net assets, the statement of activities provides answers as to the nature and source of these changes.

Revenues consist primarily of contributions, which were \$5,870,941 in the year ending December 31, 2008. Other revenues include State Matching Funds of \$578,129, and investment losses of \$1,895,909.

Expenses consisted primarily of operating expenses and grants of \$3,966,126 for scholarships and program support and \$3,227,101 in capital projects for the softball complex and library. Expenses also include \$230,982 in personnel services, which include salaries, wages and related taxes, and fringe benefits paid to Foundation personnel by the College during the year ending December 31, 2008.

### **Economic Factors**

- The average unemployment rate for the State is 6.9% and 6.0% for the nation.
- Inflation nationally as indicated by the consumer price index is 4.9%.

*Requests for Information* - This financial report is designed to provide a general overview of the Foundation’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lake-Sumter Community College Foundation, Inc., 9501 US 441, Leesburg, Florida 34788, (352) 365-3518.

LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.  
(A COMPONENT UNIT OF LAKE-SUMTER COMMUNITY COLLEGE)  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 3,882,404
Interest receivable	40,705
Investments	11,702,640
Total Current Assets	15,625,749
Non-current Assets	
Unconditional promises to give	22,356
Restricted investments	3,874,008
Total Non-current Assets	3,896,364
TOTAL ASSETS	\$ 19,522,113

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable	\$ 847,419
Net Assets	
Restricted	
Expendable for scholarships	3,240,017
Expendable for projects	894,113
Expendable for magnet high school	4,003,656
Expendable for joint use library	4,580,763
Expendable for performing arts center	998,835
Expendable for softball complex	72,802
Nonexpendable endowments	3,874,008
Unrestricted	1,010,500
Total Net Assets	18,674,694
TOTAL LIABILITIES AND NET ASSETS	\$ 19,522,113

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

LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.  
(A COMPONENT UNIT OF LAKE-SUMTER COMMUNITY COLLEGE)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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Revenues	
Operating Revenues:	
Contributions	\$ 5,870,941
State Matching Funds	578,129
Other revenues	14,942
Direct Operating Support - LSCC - In-Kind	230,982
Total Operating Revenues	<u>6,694,994</u>
Expenses	
Operating Expenses:	
Personnel services	230,982
Scholarships and program support	3,966,626
Softball complex capital project support	1,131,048
Library construction	2,096,053
Fund raising expenses	53,572
Other services and expenses	46,072
Total Operating Expenses	<u>7,524,353</u>
Operating Income	<u>(829,359)</u>
Non-operating Revenues	
Net realized and unrealized gains/(losses) on investments	(2,592,311)
Interest and dividends	696,402
Total Non-operating Revenues	<u>(1,895,909)</u>
Decrease in Net Assets	(2,725,268)
Net Assets, Beginning of January 1, 2008	<u>21,399,962</u>
Net Assets, End of December 31, 2008	<u><u>\$ 18,674,694</u></u>

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

LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from public support	\$ 5,928,421
Cash received from State Matching Funds	578,129
Other receipts	14,942
Cash paid to scholarship recipients, program support and capital projects	(6,429,896)
Cash paid to suppliers	<u>(99,644)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>(8,048)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of land	50,473
Proceeds from sales of securities	3,246,130
Purchase of securities	(5,522,757)
Investment income	<u>696,313</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(1,580,314)</u>
<b>NET DECREASE IN CASH</b>	(1,588,362)
<b>CASH, January 1, 2008</b>	<u>5,470,766</u>
<b>CASH, December 31, 2008</b>	<u><u>\$ 3,882,404</u></u>
<b>Supplemental data:</b>	
Contributions-in-kind amounted to \$230,982 from the College in the form of donated administrative expenses.	
Cash, December 31, 2008 consisted of the following:	
Unrestricted	\$ 1,012,830
Temporarily restricted for scholarships and program expenses	2,869,574
Permanently restricted	...
Total Cash, December 31, 2008	<u><u>\$ 3,882,404</u></u>

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

LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.  
(A COMPONENT UNIT OF LAKE-SUMTER COMMUNITY COLLEGE)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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RECONCILIATION OF INCREASE IN NET ASSETS  
TO NET CASH USED IN OPERATING ACTIVITIES

DECREASE IN NET ASSETS \$ (2,725,268)

ADJUSTMENTS TO RECONCILE INCREASE IN NET  
ASSETS TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES:

Loss on sale of securities	515,882
Investment adjustment to market value	2,076,429
Interest income	(696,402)
(Increase) decrease in assets and (decrease) in liabilities:	
Charitable remainder valuation change	57,480
Accounts payable	<u>763,831</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ (8,048)

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

**LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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**1. Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies of Lake-Sumter Community College Foundation, Inc. (the Foundation), which affect significant elements of the financial statements:

- A. *Reporting Entity* - The Foundation, incorporated in 1980, is a direct support organization as provided for in Section 240.331, Florida Statutes, and is considered a discrete component unit of Lake-Sumter Community College (the College). The Foundation's principal function is to receive, hold, invest and administer charitable contributions for the College. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and is exempt from federal and state income taxes pursuant to Section 509(a) of the IRC.
- B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* - The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standard (SGAS) Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Foundation has elected to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, that are applicable to the Foundation's function and that do not conflict with or contradict GASB pronouncements.
- C. *Cash and Cash Equivalents* - For purposes of reporting cash flows, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.
- D. *Fund Accounting* - To ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, and then unrestricted resources as they are needed.

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The assets, liabilities, and net assets of the Foundation are reported in two fund groups as follows:

**Restricted** - Within restricted, there are two fund types as follows:

**Expendable** - Representing funds that are subject to donor, grantor, or other outside party restrictions as to use for the benefit of various programs at the College, including the expendable portion of endowment funds.

**Nonexpendable** - Representing the nonexpendable portion of endowment funds that are subject to donor, grantor, or other outside party restrictions as to use for the benefit of various programs at the College. Earnings on endowment funds are included in expendable funds for expenditure.

**Unrestricted** - Representing funds that are available without restriction for carrying out the Foundation's objectives.

- E. *Operating Activities* - Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities, which are in support of the College's programs. Operating activities related to the Foundation's principal functions, which is to receive, hold and invest charitable contributions for the College. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.
- F. *Revenue Recognition* - Contributions are recognized as increases in net assets when received or when pledged unconditionally.
- G. *Direct Operating Support* - Donated facilities from the College consist of office space. The College also provides administrative services and other institutional support.
- H. *Promises to Give* - Statement of Financial Accounting Standards Number 116, "*Accounting for Contributions Received and Contributions Made*", has been implemented by the Foundation. The statement requires not-for-profit organizations to recognize irrevocable unconditional promises to give as revenue in the period the promise is made at fair value. These promises to give have been recorded at net present value using a discount rate of 5%. Promises to give that are collectible after one year are treated as temporarily restricted net assets.
- I. *Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

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reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- J. *Investments* - Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statement of revenues, expenses, and changes in net assets as non-operating revenues. The Foundation's investment policy and Section 215.47 Florida Statutes allow investing in bonds, notes, commercial paper and equities.

**2. Investments**

As of December 31, 2008, the Foundation had the following investments and maturities:

<u>Investment Type</u>	Fair Value	<u>MATURITIES IN YEARS</u>		
		1 - 5	6 - 10	More than 10
Government Obligations	\$ 900,625	\$ 547,585	\$ 353,040	\$ . . .
Federal Agency Obligations	1,640,962	50,015	1,371,344	219,603
Certificates of deposit	9,031,468	8,881,468	150,000	. . .
Corporation bonds	<u>1,284,879</u>	<u>247,456</u>	<u>1,037,423</u>	<u>. . .</u>
Total Debt Obligations	12,857,934	9,726,524	2,911,807	219,603
Equities	<u>2,718,714</u>			
Total Investments	\$ 15,576,648			

The following risks apply to the Foundation's investment in debt securities:

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit investment maturities except with respect to cash equivalents, which must have a maximum average maturity of less than one year. The Foundation manages its exposure to fair value losses from increasing interest rates through the segmented time distribution method.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will fulfill its obligations. The Foundation's investment policy limits its fixed income investments to an overall

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weighted average crediting rating of “A” or better by Moody’s or Standard & Poor’s. No more than 15 percent of the fixed income portion of the portfolio shall be rated below investment grade (below Baa/BBB). All commercial paper investments must have a minimum rating of A1/P1 by Standard & Poor’s and Moody’s, respectively. Obligations of the U.S. Government and obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. At December 31, 2008, the Foundation’s investments in bonds and notes had credit quality ratings by nationally recognized rating agencies ranging from Aa2 to Aaa by Moody’s and from AA to AAA by Standard & Poor’s.

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of failure of a counterparty to a transaction, the Foundation will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Lending of the Foundation’s portfolio of securities is expressly prohibited by the Foundation’s investment policy. While the brokerage and trust accounts are in the name of the Foundation, the securities are actually held in the trust department or agent’s name.

*Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation’s investment in a single issuer. The Foundation’s investment policy limits investments in any one company to no more than seven percent of the equity portion of its portfolio and no more than ten percent of the fixed income portion of its portfolio, and the equity portion of the portfolio must maintain a minimum of twenty positions, with no position of any one issuer exceeding eight percent of the manager’s total portfolio. Securities issued by the U.S. Government or its agencies are not subject to these limitations. The policy also provides that no more than five percent of the portfolio may be invested in commercial paper of any one issuer, and no more than \$100,000 in bank certificates of deposit of any single issuer, unless the investments are fully collateralized by U.S. Treasury or agency securities. The policy further limits investments in any one economic sector to no more than twenty-five percent for the fixed income portion of the portfolio. Additionally, no more than ten percent of the equity portion of the portfolio may be in American Depository Receipts, and no more than sixty percent of the fixed income portion of the portfolio may be invested in either corporate or mortgage-backed securities.

### **3. Significant Concentrations**

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Foundation, except as otherwise disclosed, is as follows:

- A. *Cash and cash equivalents* - The Florida Security for Depositors Act identifies those financial institutions that have deposited the required collateral in the name of the treasurer of the State of Florida as qualified public depositories. The Foundation’s deposits are with qualified public

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depositories. Therefore, all Foundation cash and cash equivalents deposits are entirely insured by FDIC or Florida's Multiple Financial Institution Collateral Pool.

- B. *Investments* - The Foundation also maintains accounts with one stock brokerage firm and a bank trust department. The accounts contain cash and securities; balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation.
- C. *Revenues* - The Foundation received significant operating revenue from two sources. The State of Florida provided approximately 8% and contributions provided 87%.

**4. Donated Operating Support**

The Foundation staff members are considered employees of the College. All salaries, benefits, retirement benefits through the Florida Retirement System and payroll taxes are paid through the College. The Foundation is not expected to reimburse the College for such expenses.

For the year then ended December 31, 2008, the value of those contributed services that can be reasonably estimated are reflected in these financial statements as follows:

Salaries		\$ 175,712
Benefits		<u>55,270</u>
		\$ 230,982

**5. Permanently Restricted Net Assets**

The balances in the Foundation's nonexpendable endowments at December 31, 2008, that represent restricted principal are as follows:

2004 LSCC Home Builders Endowment		\$ 12,000
Florida Academic Improvement Trust #2		55,839
Florida Academic Improvement Trust #3		28,252
Florida Academic Improvement Trust #4		141,870
Florida Academic Improvement Trust #5		106,573

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Florida Academic Improvement Trust #6	44,429
Florida Academic Improvement Trust #7	74,452
Florida Academic Improvement Trust #8	46,922
Florida Academic Improvement Trust #9	87,577
Florida Academic Improvement Trust #10	82,508
Florida Academic Improvement Trust #11	26,499
Florida Academic Improvement Trust #12	10,860
Florida Academic Improvement Trust #13	165,294
Florida Academic Improvement Trust #14	140,898
Florida Academic Improvement Trust #15	17,670
Florida Academic Improvement Trust #17	6,333
Academic Improvement Trust Fund - Bjorn	11,667
Academic Improvement Trust Fund - Hall	25,102
Academic Improvement Trust Fund - Rossbaum	50,524
Academic Improvement Trust Fund - Cole - Performing Arts	329,525
Academic Improvement Trust Fund - Cole - Televised Arts	153,477
Academic Improvement Trust Fund - Kiwanis Club of Wildwood	10,000
Altrusa Endowment	12,000
Atex/Bartch Endowment	253,013
Beard, Karen United in Praise Memorial Endowment	13,253
Beta-Theta ESA Endowment	6,722
Brown, Maxwell Business Ethics Endowment	7,846
Burnsed Endowment	200,100
Clark, Cecil Memorial Endowment	8,420

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Clark, Laura A. Endowment	11,594
Clermont/Groveland Elks Endowment	5,218
Dillard, Filomena Arborio Endowment	19,000
Ernie Morris Enterprises Endowment	103,311
Faculty Chair Endowment	86,868
Florida Public Relations Association	26,211
Gouveia Memorial Nursing Endowment	11,274
Griffin, C. V. Nursing Endowment	56,347
Hagerty, Orval Endowment	26,276
Hawthorne Memorial Endowment	29,624
Hewitt, McLin, Talley, Young Endowment	20,600
Hutchinson, Bettie Memorial Endowment	17,203
Jacobson, Hans and Cay Endowment	60,609
Joe T Endowment	24,000
Jones, Ginny Memorial Endowment	16,637
Koester, Wayne Endowment	12,000
Leware Nursing Endowment	35,397
LSCC Foundation-Special Project	83,333
Mueller, Mae Memorial Endowment	3,483
Onishchuk, Dr. Ellen C. Memorial Endowment	25,167
Outlaw Endowment	6,453
Patrowicz Cultural Endowment	1,907
Pringle, George Memorial Endowment	20,200
Progress Energy Endowment	20,000

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Richardson, Sarah Nursing Memorial Endowment	5,919
Rick Rojas Builders Endowment	20,000
Robuck Family Trust Endowment	2,000
Rotary Club of Leesburg Endowment	12,000
Sheriff Chris Daniels Memorial Endowment	44,933
Strickler, Heather Endowment	12,000
Stricklen, Martin E. Memorial Nursing Endowment	20,659
Students Helping Students Endowment	10,000
Sunshine Circle King's Daughters and Sons Endowment	69,060
Thompson, Guy and Anne Endowment	400,000
Tumlin, Paul Memorial Endowment	14,250
Turner, William W. and Elsie J. Endowment	353,933
Umatilla Women's Club	12,000
Westrick, Dr. Robert Endowment	12,433
Wolverine Endowment	14,442
Wilke, LaRee H. Endowment	<u>18,042</u>
	<u>\$ 3,874,008</u>

**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***

The Board of Trustees  
Lake-Sumter Community College Foundation, Inc.

We have audited the financial statements of Lake-Sumter Community College Foundation, Inc. (a nonprofit organization) as of and for the year then ended December 31, 2008, and have issued our report thereon dated June 6, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lake-Sumter Community College Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

FINDING: For the year ended December 31, 2008, there was no one on staff with sufficient knowledge to prepare GAAP-based financial statements. As a result, certain adjustments were required to be made to the accounting records subsequent to the start of the audit process.

RESPONSE: The Foundation's accounting staff is quite capable of processing daily transactions. The Foundation has contracted with a third party to assist in account reconciliation and required GAAP basis transactions. The Foundation's size prohibits its hiring staff with the specialized knowledge for preparing the end of year financial statements and will continue to allow the auditing firm to complete this task.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lake-Sumter Community College Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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*.

This report is intended solely for the information and use of the audit committee, management, and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Greenlee, Kurras, Rice & Brown, P. A.*

Mount Dora, Florida  
June 6, 2009

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROJECT  
AND AN INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH CHAPTER 10.650, RULES OF THE AUDITOR GENERAL, STATE OF FLORIDA**

The Board of Trustees  
Lake-Sumter Community College Foundation, Inc.  
Leesburg, Florida

**Compliance**

We have audited the compliance of Lake-Sumter Community College Foundation, Inc. with the types of compliance requirements described in the *Executive Office of the Governor’s State Projects Compliance Supplement*, that are applicable to each of its major state projects for the year ended December 31, 2008. Lake-Sumter Community College Foundation, Inc.’s major state project is identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its state project is the responsibility of Lake-Sumter Community College Foundation, Inc.’s management. Our responsibility is to express an opinion on Lake-Sumter Community College Foundation, Inc.’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.6550 Rules of the Auditor General. Those standards and Chapter 10.6550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a state project occurred. An audit includes examining, on a test basis, evidence about Lake-Sumter Community College Foundation, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lake-Sumter Community College Foundation, Inc.’s compliance with those requirements.

**Internal Control Over Compliance**

In our opinion, Lake-Sumter Community College Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended December 31, 2008.

The management of Lake-Sumter Community College Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered Lake-Sumter Community College Foundation, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake-Sumter Community College Foundation, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Greenlee, Kurras, Rice & Brown, P.A.*

Mount Dora, Florida  
June 6, 2009

**LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.  
 (A COMPONENT UNIT OF LAKE-SUMTER COMMUNITY COLLEGE)  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FISCAL YEAR ENDED DECEMBER 31, 2008**

<u>State Agency/State Project</u>	<u>CSFA Number</u>	<u>Total Expenditures</u>
State of Florida, Department of Education	48.063	\$ 439,575

Note to Schedule of Expenditures of State Financial Assistance

This schedule of expenditures of state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General, State of Florida.

See Independent Auditor's Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.6550, Rules of the Auditor General, State of Florida.

LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.  
(A COMPONENT UNIT OF LAKE-SUMTER COMMUNITY COLLEGE)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS  
Year Ended December 31, 2008

**I. Summary of Auditor's Results:**

1. Financial Statements

- a. The type of auditor's report issued on the financial statements was unqualified.
- b. No material weaknesses were identified. One significant deficiency regarding the preparation of the financial statements was identified.
- c. There was no noncompliance material to the financial statements reported.

2. State Projects:

- a. There were neither material weaknesses nor significant deficiencies identified in internal controls over state financial assistance projects
- b. The auditor's report issued on compliance for state financial assistance projects was unqualified.
- c. There were no audit findings required to be reported under Chapter 10.650, Rules of the Auditor General, State of Florida.
- d. The Program Challenge Grant for Community College, CFSA number 48.063, issued by the Florida Department of Education and Commissioner of Education was the only major state project.
- e. \$300,000 was the dollar threshold used to distinguish among Type A and B projects.
- f. No management letter was issued to the Foundation

**II. Findings Related to the Financial Statements Required to be Reported under Government Auditing Standards:**

None

**III. Findings and Questioned Costs for State Financial Assistance Projects:**

None

**IV. Summary Schedule of Prior Audit Findings:**

None was issued as no prior audit findings related to State projects was issued.

**V. Other issues:**

No management letter is required as there were no findings required to be reported.

No corrective action plan is required as there were no findings required to be reported under the Florida Single Audit Act.

## **SUPPLEMENTAL INFORMATION**

LAKE-SUMTER COMMUNITY COLLEGE FOUNDATION, INC.  
(A COMPONENT UNIT OF LAKE-SUMTER COMMUNITY COLLEGE)  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Restricted		Total
		Expendable	Nonexpendable Endowments	
<b>Revenues</b>				
Operating Revenues:				
Contributions	\$ 843,442	\$ 5,027,499	\$ ...	\$ 5,870,941
State Matching Funds	19,410	348,338	210,381	578,129
Other revenues	7,942	7,000	...	14,942
Direct Operating Support - LSCC - In-Kind	230,982	...	...	230,982
Total Operating Revenues	1,101,776	5,382,837	210,381	6,694,994
Net Assets Released From Restrictions	6,646,318	(6,646,318)	...	...
Reclassifications	...	329,412	(329,412)	...
Total Operating Revenues, Net Assets Released From Restrictions and Reclassification	7,748,094	(934,069)	(119,031)	6,694,994
<b>Expenses</b>				
Operating Expenses:				
Personnel services	230,982	...	...	230,982
Scholarships and program support	7,193,727	...	...	7,193,727
Fundraising	53,572	...	...	53,572
Other services and expenses	46,072	...	...	46,072
Total Operating Expenses	7,524,353	...	...	7,524,353
Operating Income	223,741	(934,069)	(119,031)	(829,359)
<b>Non-operating Revenues</b>				
Net realized and unrealized gains(losses) on investment	(160,765)	(2,429,199)	(2,347)	(2,592,311)
Interest and dividends	23,356	673,046	...	696,402
Total Non-operating Revenues	(137,409)	(1,756,153)	(2,347)	(1,895,909)
Increase (Decrease) in Net Assets	86,332	(2,690,222)	(121,378)	(2,725,268)
Net Assets, Beginning of January 1, 2008	924,168	16,480,408	3,995,386	21,399,962
Net Assets, End of December 31, 2008	\$ 1,010,500	\$ 13,790,186	\$ 3,874,008	\$ 18,674,694

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