

**BREVARD SCHOOLS FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**BREVARD SCHOOLS FOUNDATION, INC.  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Brevard Schools Foundation, Inc.

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Brevard Schools Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, 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***

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Brevard Schools Foundation, Inc.  
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***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brevard Schools Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years 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*, I have also issued my report dated October 2, 2019, on my consideration of Brevard Schools Foundation, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brevard Schools Foundation, Inc.'s 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 Brevard Schools Foundation, Inc.'s internal control over financial reporting and compliance.

*Lark Janes CPA LLC*

Lark Janes CPA LLC  
Certified Public Accountant  
October 2, 2019

**BREVARD SCHOOLS FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 561,970	\$ 676,910
Grants receivable	39,403	39,316
Promises to give, net	149,730	118,394
Accounts receivable	29,670	45,062
Inventory	181,296	242,627
Prepaid expenses	11,572	14,849
Investments	2,122,582	1,875,801
Equipment and software, net of accumulated depreciation of \$24,406 in 2019 and in 2018	-	-
Prepaid tuition scholarships	2,420,875	2,464,924
	<u>5,517,098</u>	<u>5,477,883</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,517,098</u></u>	<u><u>\$ 5,477,883</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 78,728	\$ 44,383
Accrued expenses	58,883	60,437
<b>TOTAL LIABILITIES</b>	<u>137,611</u>	<u>104,820</u>
<b>NET ASSETS</b>		
Without donor restrictions	536,122	503,002
With donor restrictions	4,843,365	4,870,061
	<u>5,379,487</u>	<u>5,373,063</u>
<b>TOTAL NET ASSETS</b>	<u>5,379,487</u>	<u>5,373,063</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,517,098</u></u>	<u><u>\$ 5,477,883</u></u>

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

**BREVARD SCHOOLS FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 441,197	\$ 1,950,138	\$ 2,391,335
Special events	122,440	277,448	399,888
Government grants	1,100	276,099	277,199
Contributions from education license plates	10,304	-	10,304
Endowments	-	357	357
Investment return, net	2,963	43,812	46,775
Net assets released from restrictions: Satisfaction of program restrictions	2,574,550	(2,574,550)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>3,152,554</b>	<b>(26,696)</b>	<b>3,125,858</b>
<b>EXPENSES</b>			
Program services			
School support	1,582,894	-	1,582,894
Senior scholarships	72,757	-	72,757
School supply store	470,358	-	470,358
Take Stock in Children program	495,307	-	495,307
Management and general	359,259	-	359,259
Fundraising	138,859	-	138,859
<b>TOTAL EXPENSES</b>	<b>3,119,434</b>	<b>-</b>	<b>3,119,434</b>
<b>CHANGE IN NET ASSETS</b>	33,120	(26,696)	6,424
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>503,002</b>	<b>4,870,061</b>	<b>5,373,063</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 536,122</b>	<b>\$ 4,843,365</b>	<b>\$ 5,379,487</b>

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

**BREVARD SCHOOLS FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 585,800	\$ 1,750,158	\$ 2,335,958
Special events	121,884	289,043	410,927
Government grants	3,600	302,142	305,742
Contributions from education license plates	11,380	-	11,380
Endowments	-	85,495	85,495
Investment return, net	84,980	-	84,980
Net assets released from restrictions: Satisfaction of program restrictions	2,163,553	(2,163,553)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>2,971,197</u>	<u>263,285</u>	<u>3,234,482</u>
<b>EXPENSES</b>			
Program services			
School support	1,351,991	-	1,351,991
Senior scholarships	61,272	-	61,272
School supply store	566,670	-	566,670
Take Stock in Children program	508,507	-	508,507
Management and general	330,451	-	330,451
Fundraising	133,537	-	133,537
<b>TOTAL EXPENSES</b>	<u>2,952,428</u>	<u>-</u>	<u>2,952,428</u>
<b>CHANGE IN NET ASSETS</b>	18,769	263,285	282,054
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>484,233</u>	<u>4,606,776</u>	<u>5,091,009</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 503,002</u>	<u>\$ 4,870,061</u>	<u>\$ 5,373,063</u>

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

**BREVARD SCHOOLS FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

EXPENSES	Program Services				Support Services			Total Expenses	
	School Support	Senior Scholarships	School Supply Store	Take Stock in Children Program	Total Program Services	Management and General	Fundraising		Total Support Services
School support and allocations	\$1,174,405	\$ -	\$ -	\$ -	\$ 1,174,405	\$ -	\$ -	\$ -	\$ 1,174,405
Supplies	188,336	-	309,943	2,544	500,823	4,511	40,721	45,232	546,055
Payroll and related costs	6,141	-	68,349	146,403	220,893	264,467	34,725	299,192	520,085
Scholarships	-	72,757	-	323,612	396,369	-	-	-	396,369
Event expense	84,080	-	23,055	-	107,135	-	60,808	60,808	167,943
Office and other expense	8,272	-	7,002	222	15,496	14,558	-	14,558	30,054
Occupancy	-	-	60,761	15,801	76,562	27,588	-	27,588	104,150
Travel	72,790	-	1,248	4,757	78,795	3,529	1,297	4,826	83,621
Professional and contracted services	38,481	-	-	-	38,481	22,825	-	22,825	61,306
Memberships, dues and fees	10,389	-	-	1,968	12,357	3,985	-	3,985	16,342
Technology and equipment	-	-	-	-	-	17,796	1,308	19,104	19,104
<b>TOTAL EXPENSES</b>	<b>\$1,582,894</b>	<b>\$ 72,757</b>	<b>\$ 470,358</b>	<b>\$ 495,307</b>	<b>\$ 2,621,316</b>	<b>\$ 359,259</b>	<b>\$ 138,859</b>	<b>\$ 498,118</b>	<b>\$ 3,119,434</b>

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



**BREVARD SCHOOLS FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donors	\$ 2,107,998	\$ 2,108,375
Governmental grants received	277,111	307,034
Cash received from investments	96,836	57,867
Payments to schools and school programs	(1,486,751)	(1,241,213)
Payments for salaries and benefits	(521,637)	(517,730)
Payments to vendors	(193,581)	(271,260)
CASH PROVIDED (USED) BY OPERATIONS	<u>279,976</u>	<u>443,073</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(313,950)	(623,293)
Proceeds from sale of investments	17,108	407,522
Purchase of scholarships	(98,074)	(74,199)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(394,916)</u>	<u>(289,970)</u>
NET CHANGE IN CASH	(114,940)	153,103
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>676,910</u>	<u>523,807</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 561,970</u>	<u>\$ 676,910</u>
SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
State match for purchase of scholarships	<u>\$ 98,074</u>	<u>\$ 74,199</u>

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

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**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Brevard Schools Foundation, Inc. (the Foundation) is a not-for-profit corporation organized exclusively for educational and charitable purposes as described in Section 501(c)(3) of the Internal Revenue Code to receive, hold, invest and administer real and personal, tangible and intangible property and to make expenditures to or for the benefit of public kindergarten through twelfth grade education in Brevard County, Florida. The Foundation is a direct support organization for the School Board of Brevard County, Florida. The Foundation's primary revenue sources are fundraising events, contributions and grants.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts and Grants Receivable

The Foundation has accounts receivable, primarily from various funding sources, and receivables for grant funding. Management reviews receivables monthly for collectability based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The Foundation considers accounts and grants receivable at June 30, 2019 and 2018 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Promises to Give

The Foundation records promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. An allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Inventory

The Foundation operates a School Supply Store to provide a way to transfer donated school supplies to teachers free of charge for use in their classrooms. The Foundation obtains inventory items by purchase and by accepting donations of school supplies for distribution to teachers and schools. The contributed supplies are valued at fair value, estimated to be approximately thirty-three percent of the average retail cost. Purchased supplies are recorded at cost. Inventory value is stated at the lower of cost or market, determined on the first-in, first-out method.

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets and Depreciation

The Foundation capitalizes all expenditures for capital assets with a value in excess of \$2,000 and a useful life greater than one year. Lesser amounts or purchases with a useful life of less than a year are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gain and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for various operating reserves.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donated Services, Materials and Facilities

Donated services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Foundation also receives donated services from a variety of unpaid volunteers who assist in carrying out major fundraisers and outreach efforts. No amounts have been recognized for these services in the accompanying Statement of Activities because they do not meet recognition criteria prescribed by generally accepted accounting principles.

The Foundation receives significant donated services, materials and facilities from numerous individuals and organizations. During fiscal 2019 and 2018, respectively, approximately \$497,000 and \$584,000 in contributions revenue was recognized for donated services, materials and facilities; approximately \$81,000 and \$64,000 related to fundraising events, \$64,000 and \$35,000 related to administration, and \$352,000 and \$485,000 for various program activities.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the Statement of Activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function; therefore, these expenses are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, telephone and postage, which are allocated on a square footage basis; as well as salaries and related costs, and travel, which are allocated on the basis of estimates of time and effort. Certain other costs are specifically identified as benefiting a specific program or supporting function, such as provision of scholarships.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Tax Status

The Foundation is organized as a nonprofit corporation and has been recognized by the IRS as exempt from federal income tax under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). The organization has been determined not to be a private foundation. Contributions to the Foundation are qualified as deductions for charitable contributions. The Foundation is not subject to unrelated business income tax for the fiscal years ended June 30, 2019 and 2018.

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Reclassifications

Certain reclassifications of 2018 financial information have been made to conform to the 2019 presentation. Such reclassifications have no effect on change in net assets for that fiscal year. Reclassifications in the 2018 statement of activities and the net assets section of the statement of position have been made to conform with the presentation in the current year as required by FASB Accounting Standard Update No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities*.

**NOTE 2 – NEW ACCOUNTING PRONOUNCEMENT**

The Foundation implemented Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Foundation’s financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- Expenses are presented by both their natural classification and their functional classification in one location.
- The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of our financial statements.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FUNDS**

The Foundation’s financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2019:

	2019
Financial assets at June 30, 2019	\$2,903,355
Less those unavailable for general expenditures within one year due to:	
Donor-imposed restrictions	(2,256,294)
Board designations	(368,098)
Other unavailable	(124,382)
Financial assets available to meet cash needs for general expenditures within one year	\$ 154,581

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FUNDS (CONTINUED)**

The Foundation raises and receives donations from multiple sources and makes expenditures for the benefit of public K-12 education in Brevard County, Florida. Donations are for multiple school support and educational program purposes and multiple time periods. The Foundation is substantially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Therefore, financial assets may not be available for general expenditure within one year.

As part of the Foundation’s liquidity management, the Board of Directors maintains three reserve accounts according to policy. The target amount set in Operating/Working Capital (Liquidity) Reserve Policy is three months average operating and program expenses. The target amount set in the Emergency Reserve Policy is six months’ average operating costs, including programs. The target amount set in the Take Stock in Children (TSIC) Program Reserve Policy is six months of average TSIC operating costs. These targets are met at June 30, 2019. Board-designated reserve balances total \$368,098 at June 30, 2019. While not included in the table above, these reserves could be made available for general expenditure by Board action if necessary.

In addition to reserves, additional undesignated funds are set aside for the School Store program and other needs as required for operating and strategic growth. The Board’s Finance Committee closely monitors cash flow and invests excess funds in short-term low- to moderate-risk investments. Excess funds of \$200,007 were invested during fiscal year ended June 30, 2019 into a money market fund in order to generate yield within operating cash.

**NOTE 4 - OFF BALANCE SHEET CREDIT RISK**

The Foundation maintains cash in banks in amounts that are from time to time in excess of federally insured limits. At June 30, 2019, the excess subject to this credit risk was approximately \$48,000.

**NOTE 5 - PROMISES TO GIVE**

Promises to give consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
United Way designations	\$ 17,232	\$ 18,158
Pledges, net	<u>132,498</u>	<u>100,236</u>
Total promises to give	<u>\$ 149,730</u>	<u>\$ 118,394</u>

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 - PROMISES TO GIVE (CONTINUED)**

Champions for Children Pledges

In fiscal 2018, the Foundation established a multi-year giving society, the Champions for Children. Pledges by society members provide undesignated support to allow the Foundation to fill educational funding and opportunity gaps in Brevard public schools. Pledges are scheduled to be collected through 2023. A summary of amounts pledged and collected as of June 30, 2019 and 2018 is as follows:

	2019	2018
Total pledges	\$ 229,940	\$ 156,920
Less: amounts collected	<u>(74,990)</u>	<u>(37,640)</u>
Pledges receivable at June 30	154,950	119,280
Less: allowance for uncollectible pledges	(13,946)	(10,735)
Less: discount	<u>(8,506)</u>	<u>(8,309)</u>
	<u>\$ 132,498</u>	<u>\$ 100,236</u>
Amounts due in:		
Less than one year	\$ 47,800	\$ 26,480
One to five years	84,698	73,756
	<u>\$ 132,498</u>	<u>\$ 100,236</u>

An allowance for uncollectible pledges has been established by management; the amount of the allowance was \$13,946 and \$10,735 at June 30, 2019 and 2018, respectively. Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.53%.

**NOTE 6 – PREPAID TUITION SCHOLARSHIPS**

Other assets consist primarily of prepaid tuition scholarships purchased by the Foundation to benefit Brevard County students. The Foundation held three hundred ten (310) scholarships with a total cost of \$2,420,875 at June 30, 2019 and three hundred seventeen (317) scholarships with a total cost of \$2,464,924 at June 30, 2018.

The Foundation participates in the Project STARS Program, a program funded by the State of Florida and administered by the Florida Prepaid College Foundation. The program provides matching funds for private money used to purchase prepaid scholarships to be awarded to at-risk students. Activity relating to the purchase and award of these scholarships is summarized below.



**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 6 – PREPAID TUITION SCHOLARSHIPS (CONTINUED)**

	2019		2018	
	#	value	#	value
Scholarships held, beginning of year	317	\$2,464,924	337	\$2,606,861
Purchases	35	98,074	19	74,199
Project STARS match		98,074		74,199
Reinvested contracts	-	83,415	-	3,033
Scholarships awarded	<u>(42)</u>	<u>(323,612)</u>	<u>(39)</u>	<u>(293,368)</u>
Scholarships held, end of year	310	<u>\$2,420,875</u>	317	<u>\$2,464,924</u>

**NOTE 7 – CONCENTRATIONS**

There are receivables from one state grantor representing 18% of total receivables at both June 30, 2019 and 2018. These represent concentrations of risk to the Foundation.

Amounts invested in one family of mutual funds represent 63% of total investments at June 30, 2019 and 71% of total investments at June 30, 2018. Amounts invested in another mutual fund represent 12% of total investments at June 30, 2019 and 14% of total investments at June 30, 2018.

**NOTE 8 - BOARD DESIGNATIONS OF NET ASSETS**

The Board of Directors have directed that three reserves be maintained: 1) Operating/Working Capital Reserve to provide cash flow for a period of three months; 2) Take Stock in Children (TSIC) Program Reserve to assure funds to maintain the TSIC program for six months; and 3) Emergency Reserve to maintain ongoing operations for six months and/or cover unforeseen necessary improvements. Certain funds with donor restrictions exist to support the TSIC Program in excess of the reserve requirement. The other reserves are adequately provided for at June 30, 2019 and 2018, as shown below.

Board designated funds increased by \$11,451; there were no uses of these funds or transfers out of the designations during fiscal year ended June 30, 2019.

	2019	2018
Net assets without donor restrictions		
Designated by the Board for:		
Operating/Working Capital reserve	\$ 88,000	\$ 86,000
Emergency reserve	176,000	172,000
Teacher minigrants	<u>104,098</u>	<u>98,647</u>
Total designated net assets	<u>\$ 368,098</u>	<u>\$ 356,647</u>

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 – DONOR RESTRICTIONS OF NET ASSETS**

Net assets are restricted by donors for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions		
Restricted for:		
School support	\$1,241,516	\$1,155,209
Senior scholarships	702,754	751,477
School supply store	395,939	444,771
Take Stock in Children program	<u>2,503,156</u>	<u>2,518,634</u>
Total net assets with donor restrictions	<u>\$4,843,365</u>	<u>\$4,870,091</u>

**NOTE 10 – ALLOCATION OF JOINT COSTS**

In fiscal 2019 and 2018, the organization incurred joint costs of approximately \$102,000 and \$77,000, respectively, for activities that included fundraising. Of those costs, approximately \$28,000 and \$24,000, respectively, was allocated to fundraising and approximately \$74,000 and \$53,000, respectively, was allocated to program expense, primarily in the category of school support.

**NOTE 11 – NATURAL CLASSIFICATION OF EXPENSES**

The Foundation's expenses for fiscal year ended June 30, 2018 by natural classification are presented for purposes of comparison with the detail of expenses presented in the Statement of Functional Expenses for fiscal year ended June 30, 2019.

	<u>2018</u>
School support and allocations	\$ 979,782
Supplies	564,676
Payroll and related costs	528,639
Scholarships	351,993
Event expense	183,521
Office and other expense	59,718
Occupancy	92,198
Travel	64,379
Professional and contracted services	88,778
Memberships, dues, and fees	30,007
Technology and equipment	8,737
Total expenses	<u>\$ 2,952,428</u>

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 12 – RETIREMENT PLAN**

The Foundation began a SIMPLE IRA plan on July 1, 2018. Employees are eligible to participate in the plan based on meeting certain compensation limits. Participants may generally elect to defer up to \$13,000 of their compensation under the plan, and the Foundation will match the deferral up to 3 percent of the employee's compensation. Nine employees participated in the plan during the fiscal year ending June 30, 2019. Matching contributions for the fiscal year ended June 30, 2019 were \$11,207.

**NOTE 13 – ENDOWMENT FUNDS**

The Foundation's endowment consists of nine individual funds established for the purpose of funding certain initiatives with donor-restricted funds; eight of the funds are to provide scholarships and one is to benefit the school store. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Foundation has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempts to generate income to fulfill the charitable purposes of the Foundation that are supported by its endowment funds, while also achieving growth in asset value of the endowment funds at a rate greater than inflation, as measured by the Consumer Price Index. Achieving these objectives requires assuming a moderate level of risk, a long-term horizon and diversification among assets. Funds are invested to maximize total return (capital appreciation, interest and dividend income) consistent with a prudent level of risk. Actual returns in any given year may vary from these income and growth goals. Short-term volatility will be tolerated as long as it is consistent with a comparable market index.

*Spending Policy.* The Foundation annually determines amounts to be spent from the endowments in accordance with a formal Endowment Spending Policy. The Foundation has adopted a policy of disbursing up to five percent of the available assets in the fund to the program or activity designated by the donor. The policy permits the level of disbursement to exceed the current year's earnings in

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 13 – ENDOWMENT FUNDS (CONTINUED)**

certain years. No amounts are appropriated from the endowments' original values, which are retained inviolate, according to the donors' wishes.

At June 30, 2019 and 2018, respectively, funds with original gift values of \$500,478 and \$500,121, fair values of \$636,463 and \$623,016, and no deficiencies were reported in net assets with donor restrictions. Endowment net asset composition and changes in endowment net assets as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds:		
Balance, beginning of year	\$ 623,016	\$ 488,467
Investment return, net	23,538	37,316
Contributions	357	102,733
Appropriated for expenditure	(10,448)	(5,500)
	<u>636,463</u>	<u>623,016</u>
Balance, end of year	<u>\$ 636,463</u>	<u>\$ 623,016</u>

**NOTE 14 - RELATED PARTIES**

The Foundation is a direct support organization and component unit of the School Board of Brevard County, Florida. The Foundation's Board of Directors take office upon approval of the School Board.

The School Board provides office facilities, including technology support and telephones, and space for the School Supply Store, to the Foundation without charge. The Foundation has recognized the estimated fair value of the facilities and utilities provided, approximately \$104,000 and \$92,000 in 2019 and 2018, respectively, as contribution revenue and expenses in the accompanying financial statements. The School Board of Brevard County also provided \$50,000 to the Foundation in both fiscal 2019 and 2018 for the provision of services to the district school system.

Contributed services of approximately \$40,000 and \$39,000, respectively, and contributions of approximately \$4,000 and \$7,000, respectively, were provided by a company owned by a member of the Board of Directors during fiscal 2019 and 2018.

**NOTE 15 – FAIR VALUE MEASUREMENTS**

The Foundation reports its investments at fair value on a recurring basis. Recurring fair value measurements are categorized using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy defines three levels of inputs, giving the highest priority to unadjusted quoted prices in active markets for identical assets and the lowest priority to unobservable inputs.

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 15 – FAIR VALUE MEASUREMENTS (CONTINUED)**

The three-tier hierarchy of inputs is summarized in the following categories:

Level 1: quoted prices in active markets for identical investments.

Level 2: other significant observable inputs, including quoted prices for similar investments in active markets, etc.

Level 3: significant unobservable inputs, including management’s assumptions in determining the fair value of investments.

Fair value of investments at June 30, 2019 and 2018 was measured as follows:

2019				
	Totals	Level 1	Level 2	Level 3
Mutual funds	\$ 1,791,132	\$ 1,791,132	\$ -	\$ -
Stocks	191,854	191,854	-	-
Corporate bonds	30,064	-	30,064	-
Government bonds	45,265	-	45,265	-
Foreign bonds	4,058	-	4,058	-
Certificate of deposit	56,526	-	56,526	-
Total investments by level	2,118,899	\$ 1,982,986	\$ 135,913	\$ -
Mutual funds measured at net asset value	3,683			
Total investments at fair value	\$ 2,122,582			

2018				
	Totals	Level 1	Level 2	Level 3
Mutual funds	\$ 1,549,097	\$ 1,549,097	\$ -	\$ -
Stocks	178,118	178,118	-	-
Corporate bonds	31,867	-	31,867	-
Government bonds	43,596	-	43,596	-
Foreign bonds	3,901	-	3,901	-
Certificate of deposit	55,916	-	55,916	-
Total investments by level	1,862,495	\$ 1,727,215	\$ 135,280	\$ -
Mutual funds measured at net asset value	13,306			
Total investments at fair value	\$ 1,875,801			

**BREVARD SCHOOLS FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 16 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 2, 2019, the date the financial statements were available to be issued.

**ADDITIONAL ELEMENT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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**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**

To the Board of Directors  
Brevard Schools Foundation, Inc.

I 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 Brevard Schools Foundation, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 2, 2019.

**Internal Control Over Financial Reporting**

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 Brevard Schools Foundation, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lark Janes CPA LLC*

Lark Janes CPA LLC  
Certified Public Accountant  
October 2, 2019