

**BROWARD EDUCATION FOUNDATION, INC.  
A COMPONENT UNIT OF  
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**JUNE 30, 2019**

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# ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Broward Education Foundation, Inc.  
Fort Lauderdale, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Broward Education Foundation, Inc. (the "Foundation"), a component unit of the School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We do not take responsibility for the work performed by the Fund Administrators. 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 from material misstatement.

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

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



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## **Basis for Qualified Opinion on the Marjory Stoneman Douglas Expenditures**

We did not audit or verify the eligibility of the individuals who received the \$10.5 million distributed during the year to the victims and families of the Marjory Stoneman Douglas High School shooting that occurred in 2018, and which represents 72% of the Foundation's total expenditures. That information was determined by the appointed Fund Administrators whose summary of procedures performed was furnished to us. Our opinions, insofar as they relate to the Marjory Stoneman Douglas expenditures are based solely on the information presented from the Fund Administrators.

## **Opinions**

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on Marjory Stoneman Douglas Expenditures", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Foundation as of June 30, 2019, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of the Foundation'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 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 the Foundation's internal control over financial reporting and compliance.

  
November 15, 2019

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

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Our discussion and analysis of Broward Education Foundation, Inc. (the "Foundation"), provides a narrative overview of the Foundation's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Foundation's Independent Auditor's Report, basic financial statements, and accompanying notes to the basic financial statements.

**FINANCIAL HIGHLIGHTS**

The assets of the Foundation exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$7,528,665.

The change in the Foundation's total net position in comparison with the prior fiscal year was (\$10,502,480) a decrease. The key components of the Foundation's net position and changes in net position are reflected in the table in the government-wide financial analysis section.

In response to the mass tragedy that occurred on February 14, 2018 at Marjory Stoneman Douglas High School, Broward Education Foundation created the official Stoneman Douglas Victims' Fund. Working in partnership with GoFundMe and the National Compassion Fund, the Foundation collected \$10.5 million to be allocated to victims in fiscal year 2019. The Foundation, in collaboration with Bank of America allocated the \$10.5 million, as determined by the MSD Steering committee, in fiscal year 2019.

At June 30, 2019, the Foundation's fund balance in governmental funds decreased to \$7,528,665 from \$18,031,145 at June 30, 2018. Of the total fund balance: \$3,678,023 is restricted for future scholarships, \$1,455,205 is non-spendable for inventories, \$34,486 is restricted for the remaining Marjory Stoneman Douglas (MSD) accounts, \$158,107 represents the net investment in capital assets, and the remainder of \$2,202,844 is unassigned and available for spending at the Foundation's discretion.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as the introduction to the Foundation's basic financial statements. The Foundation's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

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**OVERVIEW OF FINANCIAL STATEMENTS – (continued)**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Foundation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the Foundation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 government's net position changed during the most recent fiscal year. All changes in net position 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 fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by contributions. The Foundation has no business-type activities. The governmental activities of the Foundation include general administration and scholarships and programs functions.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Foundation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Foundation has two fund categories: governmental funds and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Foundation's near-term financing requirements.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**JUNE 30, 2019**

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**OVERVIEW OF FINANCIAL STATEMENTS – (continued)**

**Governmental Funds (continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Foundation's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Foundation maintains only one governmental fund, the general fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

**Fiduciary Funds**

The Foundation is a trustee, or fiduciary, for several grants. It is also responsible for other programs or assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The Foundation is responsible for ensuring that the assets reported in these funds are used for the intended purposes. Fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the Foundation's government-wide financial statements because the Foundation cannot use these assets to finance its operations.

**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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Foundation assets exceeded liabilities at the close of the most recent fiscal year.

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS – (continued)**

Key components of the Foundation's net position are reflected in the following table. The Foundation owns a building with a net value of approximately \$ 772,148 with a mortgage of approximately \$614,041.

<b>NET POSITION</b>		
<b>JUNE 30,</b>		
	<b><u>2019</u></b>	<b><u>2018</u></b>
Assets, including capital assets	\$ 8,586,181	\$ 18,888,351
Total assets	<u>8,586,181</u>	<u>18,888,351</u>
Liabilities, including long-term liabilities	<u>1,057,516</u>	<u>857,206</u>
Total liabilities	<u>1,057,516</u>	<u>857,206</u>
<b>Net position</b>		
Restricted for:		
Expendable-scholarships	3,678,023	3,745,289
Net investment in capital assets	158,107	166,884
MSD accounts	34,486	10,386,156
Unrestricted	<u>3,658,048</u>	<u>3,732,816</u>
Total net position	<u>\$ 7,528,665</u>	<u>\$ 18,031,145</u>

The restricted portion of the Foundation's net position represents funds set aside for future scholarships, MSD accounts and capital assets. The remaining balance of unrestricted net position may be used to meet the Foundation's other obligations.

The Foundation's net position decreased during the most recent fiscal year. A significant portion of the decrease represents the allocation of funds associated with MSD.



**BROWARD EDUCATION FOUNDATION, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – (continued)**

Key elements of the change in the Foundation's net position are reflected in the following table:

	<u>2019</u>	<u>2018</u>
<b>CHANGES IN NET POSITION</b>		
<b>FOR THE FISCAL YEARS ENDED JUNE 30,</b>		
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 2,794	\$ 27,465
Operating grants and contributions	3,875,995	14,283,228
Donor designated grants and contributions	-	195,000
General revenues:		
Unrestricted investment earnings	<u>296,701</u>	<u>102,683</u>
Total revenues	<u>4,175,490</u>	<u>14,608,376</u>
<b>Expenses:</b>		
General administration	309,581	469,866
Scholarships and programs	14,335,852	3,904,163
Interest on long-term debt	<u>32,537</u>	<u>33,325</u>
Total expenses	<u>14,677,970</u>	<u>4,407,354</u>
Change in net position	(10,502,480)	10,201,022
Net position – beginning	<u>18,031,145</u>	<u>7,830,123</u>
Net position – ending	<u>\$ 7,528,665</u>	<u>\$ 18,031,145</u>

As noted above and in the statement of activities, the cost of all Foundation activities during the fiscal year ended June 30, 2019 was \$14,677,970. These costs were offset by program revenues consisting primarily of contributions. The decrease is mainly due to the allocation of MSD donor funds to beneficiaries during the year.

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

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**BUDGETARY COMPARISON**

No analysis of significant variations between the original and final budget amounts and between the final budget and actual results have been presented in these financial statements as not all programs of the Foundation have legally adopted budgets.

**CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Foundation's finances and to demonstrate the Foundation's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact Broward Education Foundation, Inc. at 600 SE Third Avenue, 1<sup>st</sup> Floor Fort Lauderdale, Florida 33301.

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 339,292
MSD cash and investments	34,486
Investments	2,280,177
Accounts receivable	26,850
Inventories	1,455,205
Prepaid scholarships	3,678,023
<b>Capital Assets:</b>	
Depreciable:	
Buildings and improvements	845,226
Accumulated depreciation	<u>(73,078)</u>
Total assets	<u>8,586,181</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	443,475
<b>Long-Term Liabilities:</b>	
Portion due or payable within one year:	
Loans payable	16,254
Portion due or payable after one year:	
Loans payable	<u>597,787</u>
Total liabilities	<u>1,057,516</u>
<b>NET POSITION</b>	
Restricted for:	
Expendable - scholarships	3,678,023
Restricted - MSD funds	34,486
Net investment in capital assets	158,107
Unrestricted	<u>3,658,048</u>
Total net position	<u>\$ 7,528,665</u>

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

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
<b>Component Unit Activities:</b>				
General administration	\$ 309,581	\$ 2,794	\$ -	\$ (306,787)
Scholarships and programs	14,335,852	-	3,875,995	(10,459,857)
Interest on long-term debt	<u>32,537</u>	<u>-</u>	<u>-</u>	<u>(32,537)</u>
Total governmental activities	<u>\$ 14,677,970</u>	<u>\$ 2,794</u>	<u>\$ 3,875,995</u>	<u>(10,799,181)</u>
<b>General revenues:</b>				
Unrestricted investment income				<u>296,701</u>
Total general revenues				<u>296,701</u>
Change in net position				(10,502,480)
Net position - beginning				<u>18,031,145</u>
Net position - ending				<u>\$ 7,528,665</u>

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

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**BALANCE SHEET – GOVERNMENTAL FUND**  
**JUNE 30, 2019**

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 339,292
MSD cash and investments	34,486
Investments	2,280,177
Accounts receivable	26,850
Prepaid scholarships	3,678,023
Inventories	<u>1,455,205</u>
Total assets	<u>\$ 7,814,033</u>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Accounts payable and accrued expenses	<u>\$ 443,475</u>
Total liabilities	<u>443,475</u>
<b>Fund balances:</b>	
Non-spendable - inventories	1,455,205
Restricted - scholarships	3,678,023
Restricted - MSD funds	34,486
Unassigned	<u>2,202,844</u>
Total fund balances	<u>7,370,558</u>
Total liabilities and fund balances	<u>\$ 7,814,033</u>

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

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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Fund balance -Total government funds	\$	7,370,558
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.

**Capital Assets:**

Depreciable:

Buildings and improvements	845,226	
Accumulated depreciation	<u>(73,078)</u>	772,148

Long-term liabilities, including loans payable are not due and payable in the current period and, therefore, are reported as liabilities in governmental funds.

**Long-Term Liabilities:**

Portion due or payable within one year:

Loans payable	(16,254)	
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Portion due or payable after one year:

Loans payable	<u>(597,787)</u>	<u>(614,041)</u>
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Net position of governmental activities	\$	<u><u>7,528,665</u></u>
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The accompanying notes are an integral part of these financial statements.

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – GOVERNMENTAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Major Governmental General Fund</b>
<b>REVENUES</b>	
<b>Contributions:</b>	
Scholarship Program	\$ 1,184,869
Tools for Schools Broward:	
School supplies/in-kind donations	1,242,973
MSD and other donations	567,206
Innovative Teaching Program	617,271
Special events	263,676
Administrative fees	2,794
Investment income	<u>296,701</u>
Total revenues	<u>4,175,490</u>
<b>EXPENDITURES</b>	
<b>Current:</b>	
General administration	309,581
Scholarships and programs	
Scholarship Program	910,346
Tools for Schools Broward:	
School supplies distributed/in-kind expenditures	1,295,565
Other expenditures	11,943,134
Innovative Teaching Program	165,675
Debt service:	
Principal	12,355
Interest	<u>32,537</u>
Total expenditures	<u>14,669,193</u>
Deficit of revenues over expenditures	<u>(10,493,703)</u>
Net Change in fund balance	(10,493,703)
Fund balance - beginning	<u>17,864,261</u>
Fund balances - ending	<u>\$ 7,370,558</u>

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

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND-BALANCES-GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Net change in fund balances - Total governmental fund \$ (10,493,703)

Amounts reported for governmental activities in the statement of activities are different because:

Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balances.

Depreciation expense	(21,132)	(21,132)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets:

Principal payments	<u>12,355</u>	<u>12,355</u>
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Change in net position of governmental activities \$ (10,502,480)

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



**BROWARD EDUCATION FOUNDATION, INC.**  
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**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**JUNE 30, 2019**

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**ASSETS**

Cash and cash equivalents	\$ 175,065
Investments	1,788,633
Receivables	1,617
Prepaid scholarships	<u>62,086</u>
Total assets	<u>\$ 2,027,401</u>

**LIABILITIES**

Due to other programs and schools	<u>\$ 2,027,401</u>
Total liabilities	<u>\$ 2,027,401</u>

The accompanying notes are an integral part of these financial statements

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Note 1 - Organization**

Broward Education Foundation, Inc., (“the Foundation”) a component unit of the School Board of Broward County, Florida was incorporated in August 1983. The Foundation is a broadly based, nonprofit direct-support organization of the School Board of Broward County, Florida (the “District”).

The purpose of the Foundation is exclusively educational and charitable, namely, to receive, hold, invest and administer grant funds, donor funds and property and to make expenditures to enhance public education in Broward County Public Schools. The Foundation secures and distributes contributions from individuals, corporations and foundations; and also holds fiduciary funds for agencies supporting public education. These funds are used only for the intended purposes set up by these grants/donors/agencies.

The Foundation employs nine individuals: two are paid through the District and the District is reimbursed by the Foundation; seven are paid through the Foundation.

The nature and purpose of the Foundation’s programs and funding sources are as follows:

**CORE PROGRAMS**

**Innovative Teaching**

With the Foundation’s multi-faceted PreK-12 “best practices” model, Innovative Teachers are recognized for their ingenuity in developing engaging and proven curriculum, their classrooms benefit from grant funding; and their peers replicate, enhance and build upon proven methods of academic achievement. Innovative Teacher grant-winning projects funded through the Foundation instill enthusiasm for learning in the District’s students, improve their grasp of the curriculum and ultimately, increase the likelihood they will stay in school.

**Scholarship**

Scholarships awarded to qualified graduating students in Broward County Public Schools through Broward Education Foundation are primarily based on need, as well as on merit and academic achievement. Students pursuing a university, college or vocational education receive scholarships ranging from \$500 to a four-year scholarship.

**School Supply Center (formerly Tools for Schools Broward)**

Broward Education Foundation’s School Supply Center provides free school supplies for students in need. Through a collaborative partnership with Kids in Need Foundation and tremendous support from business and community leaders, educators in schools serving a high-percentage of economically disadvantaged students shop free, twice a year, in the School Supply Center.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Note 1 – Organization (continued)**

**FUNDING SOURCES**

**Education First – Employee Giving Campaign**

Employees in Broward County Public Schools know that students depend on them, both directly and indirectly. The Foundation’s *Education First Employee Giving Campaign* strongly reinforces the District’s commitment and dedication to quality education. Employee payroll deduction proceeds are allocated to the Foundation’s core programs, namely Innovative Teaching, Scholarships and the School Supply Resource Center.

**License for Learning**

In 1994, the Florida Legislature approved the design and sale of automobile license plates to support education throughout the state. For each tag sold in Broward County, Broward Education directly receives \$20 from the State of Florida Department of Highway Safety and Motor Vehicles. These funds provide support for the Foundation’s core programs- innovative teaching, school supplies and scholarships.

**Stanley G. Tate Florida Prepaid Scholarship Program**

Since its founding in 1990, the Florida Prepaid College Foundation (FPCF) has committed to giving aspiring students the opportunity to build a better future for themselves and the state by providing college scholarships funded through partnerships with individuals, businesses, educational foundations and the Florida Legislature. The Florida Prepaid College Board manages the Stanley G. Tate Florida Prepaid College Program which provides matching funds to certified organizations that purchase Florida Prepaid scholarships for low income youth. The Foundation purchases these scholarships and awards them to qualified seniors graduating from Broward County Public Schools.

**State of Florida - School District Education Foundation Matching Grants**

Adopted by the Florida Legislature in 2000, the School District Education Foundation Matching Grants program contributes substantially to the success of students and teachers in the state’s 2<sup>nd</sup> largest District- Broward County Public Schools (BCPS.) This is a model public-private partnership administered through the Consortium of Florida Education Foundations (CFEF.) Based upon student enrollment, CFEF issues grants provided the funds are matched at the local level by private funding. In Broward County, said grants support the Innovative Teaching and School Supply Center programs, and programs that focus on science, technology, engineering and math (STEM), teaching quality, literacy, increasing graduation rates and underperforming students.

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**Note 1 – Organization (continued)**

**FUNDING SOURCES (continued)**

**EMERGENCY CRISIS RESPONSE CAMPAIGN**

**Marjory Stoneman Douglas (“MSD”) Victims’ Fund\***

In 2018, on a day nationally recognized as one in which people routinely express their love for each other- February 14<sup>th</sup> - a horrific tragedy unfolded at Marjory Stoneman Douglas High School. This senseless act of mass violence claimed 17 innocent lives, seriously injured 17 and irreparably and forever altered many more. Broward Education Foundation immediately mobilized and launched the official GoFundMe page in the early morning hours of February 15<sup>th</sup> to generate funding support for families and victims.

Working in collaboration with GoFundMe and the National Center for Victims of Crime in Washington, D.C., the Foundation coalesced the Stoneman Douglas Victims’ Fund Steering (SDVF) Committee. The SDVF Committee was comprised of 18 business and community leaders, and led by Sen. George S. LeMeiux, to determine the fair and equitable distribution of funds raised. Funds were raised and contributed by caring and compassionate donors, corporations; online through GoFundMe, Facebook and numerous other social media platforms, and through events held locally and throughout the nation.

Through the generosity of nearly 37,000 individuals, organizations, and businesses Broward Education Foundation raised \$10.5 million as of June 30, 2018, in four and a half months, to support the families and victims of this tragic episode that forever changed the community.

The Foundation’s Stoneman Douglas Victims’ fundraising campaign closed on June 30, 2018; and the funds were distributed to the beneficiaries as determined by the MSD Steering Committee, during the fiscal year ended June 30, 2019. As of June 30, 2019, a balance of \$34,486 relating to MSD funds remained.

**Note 2 – Summary of Significant Accounting Policies**

**Reporting Entity**

For financial statement reporting purposes, the Foundation is considered a component unit of the District, as the District approves the Foundation’s board members. In addition, the Foundation receives specific financial benefits from the District and the District provides financial support to help the Foundation meet its ongoing operating expenses and, thus, the Foundation is included in the Comprehensive Annual Financial Report (CAFR) of the District.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements**

*Government-wide Financial Statements:* The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Foundation.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Foundation's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues mainly include contributions to the Foundation.

*Fund Financial Statements:* The fund financial statements provide information about the Foundation's funds: governmental and fiduciary. The emphasis of fund financial statements is on major governmental funds.

*Governmental Funds:* Governmental funds are used to account for the Foundation's general government activities. The Foundation's governmental fund is its general fund, which is a major fund and the primary operating fund. The general fund accounts for all financial resources of the Foundation.

*Fiduciary Funds:* Fiduciary funds are used to account for assets held by the Foundation in a trustee or agency capacity for others.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. The agency fund is used to account for assets held by the Foundation for various schools and programs.

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus**

*Government-wide Financial Statements:* The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency Funds are reported using the accrual basis of accounting. However, they report only assets and liabilities and, as such, do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Foundation gives or receives value without receiving or giving equal value in exchange, include donations or contributions.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Foundation considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred.

**Use of 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, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash equivalents includes cash on hand and in banks except for cash equivalents associated with the investment accounts.

**Inventories**

Inventories consist of school supplies, located at the School Supply Center and School District warehouse, which were donated throughout the fiscal year. Inventories are stated at seventy percent of retail value, as determined by management on a first-in first-out basis.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Income Tax Status**

The Foundation qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and, therefore, these financial statements contain no provision for federal income taxes.

**Investments**

Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. Unrealized and realized gains and losses on these investments are reported in the statement of activities and in the statement of revenues, expenditures and changes in fund balance. Securities are generally held in custodial investment accounts administered by certain financial institutions.

The Foundation's investment policy mix for the long-term investment account is as follows:

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Equity Investments	25%	35%	45%
Fixed Income	40%	53%	65%
Alternatives	0%	10%	20%
Cash Equivalents	0%	2%	30%

The Foundation's investment policy for the short-term investment fund is that the funds be invested in any of the following security types:

- 1) Securities issued by the U.S. Government and its Agencies and Instrumentalities
- 2) Commercial Paper
- 3) Money Market Mutual Funds
- 4) Certificates of Deposit
- 5) Bankers Acceptances Notes and Repurchase Agreements
- 6) Short-duration Corporate Fixed Income Instruments
- 7) Ultra-Short-Term Fixed Income Mutual or Exchange Traded Funds investing in the above security types.

See Note 4 for further details.

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets, which the Foundation defines as land, buildings and fixed equipment, improvements other than buildings, furniture and equipment, audio/visual equipment, computer software, and motor vehicles with a cost of \$750 or greater and an initial useful life of more than 1 year, are reported in the government-wide financial statements. Such assets are recorded at historical cost or at estimated historical cost if the actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements. The Foundation owns a building that serves as a warehouse and storage for its School Supply Center program. The building is currently being depreciated over 40 years.

Capital assets of the Foundation are depreciated using the straight-line method over the following useful lives:

Buildings	20–50 years
Improvements	15–40 years
Machinery and equipment	3–20 years

**Contributions**

Contributions received are recognized as revenue when the donor’s commitment is received unless amounts are restricted for a subsequent period.

**Donated Services**

A substantial number of board members and volunteers have donated significant amounts of their time and in-kind services in the Foundation’s program services and fund-raising campaigns. However, no amounts have been reflected in the financial statements for these donated services in as much as no objective basis is available to measure the value of such services.

The District permits the use of property and facilities. The value of contributed personnel services and contributed space are reported as other contributions and general and administrative expense and have been recorded based on an agreement between the Foundation and the District.



**BROWARD EDUCATION FOUNDATION, INC.**  
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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Prepaid Scholarships**

Unused scholarships purchased by the Foundation under the Florida Prepaid Program are recorded as prepaid scholarships. Some of the scholarships are assigned to the students under a conditional promise by the Foundation. These promises are conditioned on the student enrolling in a qualified institution within a certain time period. Failure to comply results in forfeiture of the scholarship back to the Foundation. The scholarships purchased are in most cases matched, dollar for dollar, by the State. As the cost of tuition increases, the value of purchased credit hours is increased at each fiscal year-end.

The resulting increase is recorded as income in the period in which the scholarship hours are revalued. This increase in the value of credit hours is available to the assigned students, but does not revert to the Foundation, should the contracts be refunded to the Foundation or cancelled by the Florida Prepaid Program. However, if the Foundation reassigns the credit hours, the increase in value of the Scholarship stays with the Foundation.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as expenditure, the Foundation obtained a loan to purchase a warehouse for its Tools for School Program. The loan is payable in 10 years and carries a 5.25% fixed interest rate.

**Fund Balance/Net Position**

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The Foundation can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Directors. Commitments may be changed or lifted only by the Board of Directors.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Fund Balance/Net Position (continued)**

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Directors that are intended to be used for specific purposes that are neither considered restricted nor committed. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The Foundation first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the Foundation’s contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

**Note 3 – Basis for Qualified Opinion**

During the fiscal year ended June 30, 2019, the Foundation allocated \$10.5 million to the victims and their families of the Marjory Stoneman Douglas High School shooting that occurred in 2018. The National Compassion Fund and Angeion Group (collectively, the “Fund Administrators”), administered, verified, and processed the applications for benefits from the Funds. The Fund Administrators submitted final payment determinations to the Steering Committee for recommendation and submission to the Foundation. The work of the Fund Administrators was conducted through collaboration with local, state, and federal partners, as well as Marjory Stoneman Douglas High School.

We obtained a summary of procedures performed from the National Compassion Fund, however, due to matters of confidentiality, we were not able to obtain and review information and documentation pertaining to the identification of victims that was verified by the Fund Administrators. As a result, whilst we were able to verify a sample of the payments that were made from the Foundation’s bank, we were unable to conclude on the eligibility of the individuals that received the payments.

The National Compassion Fund is an established and reputable organization with experience in administering similar funds in the aftermath of other mass casualty crimes. The Angeion Group is a claims processing firm which provides comprehensive settlement management services for class actions, mass tort, and bankruptcy administration.

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**Note 4 – Cash, Deposits and Investments**

At June 30, 2019, the Foundation maintained cash balances (including agency funds) of approximately \$4 million in a qualified depositories account at various banks. Florida Statutes Chapter 280, “Florida Security for Public Deposits Act”, requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

The Foundation’s remaining cash balances are in deposit, money market accounts, and investment accounts at Sun Trust. The bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2019, the bank balance was \$2,889.

The Foundation applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

U.S. GAAP describes three levels of inputs that may be used to measure fair value:

**Level 1**—Quoted prices in active markets for identical assets or liabilities.

**Level 2**—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3**—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All investments of the Foundation are valued using Level 1 inputs. Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ended June 30, 2019.

The fair value of common stock and mutual funds is based on quoted market prices in active markets.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**Note 4 – Cash, Deposits and Investments (continued)**

The Foundation's investments as of June 30, 2019 were distributed as reflected in the following table:

<b><u>Long Term Investment Fund</u></b>				<b><u>Actual</u></b>	
<b><u>Asset Class</u></b>	<b><u>Minimum</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>	<b><u>Asset Total</u></b>	<b><u>Allocation</u></b>
Equity investments	25%	35%	45%	\$ 460,352	12%
Fixed income	40%	53%	65%	3,417,790	87%
Alternatives	0%	10%	20%	52,631	1%
Cash equivalents	0%	2%	30%	<u>2,889</u>	<u>0%</u>
Total Endowment Investment Funds				<u>3,933,662</u>	<u>100%</u>
<b><u>Short Term Investment Fund</u></b>					
Cash equivalents				-	
Ultra short-term fixed income mutual funds				<u>136,587</u>	
Total short-term investment funds				<u>136,587</u>	
Total investment funds				<u>4,070,249</u>	
Operating cash in checking and money market accounts				<u>547,404</u>	
Total cash and investments (governmental and fiduciary fund)				<u>\$ 4,617,653</u>	
<b><u>Reconciliation to the financial statements</u></b>					
Cash - governmental fund				\$ 339,292	
Cash - fiduciary fund				175,065	
MSD accounts				34,486	
Investments - governmental fund				2,280,177	
Investments - fiduciary fund				<u>1,788,633</u>	
Total cash and investments				<u>\$ 4,617,653</u>	

The underlying investments in common stock and mutual funds are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain common stocks and mutual funds, and the level of uncertainty related to changes in the value of the common stock and mutual funds, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statement of financial position and the statement of activities.

*Interest rate risk.* The Foundation's investment policy does not limit the maturity of fixed income investments. The Foundation manages the risk by monitoring its investments in relation to the economic environment and adjusting its holdings to prevent any loss in principal.

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**Note 4 – Cash, Deposits and Investments (continued)**

*Credit risk.* The Foundation’s investment policy requires each portfolio type to maintain certain weighted average credit rating by Standard and Poor’s and Moody’s.

*Concentration of credit risk.* The Foundation investment policy limits the amount that can be invested in a single investment to no more than five percent of the Foundation’s total portfolio.

**Note 5 – Related Party Transactions**

As stated in Note 2, the District pays salaries and contributes operating space, and supplies for the Foundation. For the fiscal year ended June 30, 2019, the amount contributed for the use of office equipment, furniture and fixtures was \$32,250. Those amounts are recorded as revenues and corresponding expenditures as follows on the statement of revenues, expenditures, and changes in fund balances:

	<b>Scholarship Program Revenues and Expenditures</b>	<b>Tools For Schools Broward Other Revenues and Expenditures</b>	<b>Innovative Teaching Program Revenues and Expenditures</b>	<b>Other Revenues and General Administration Expenditures</b>	<b>Other Revenues and Other Program Expenditures</b>	<b>Totals</b>
In-kind utilities and facilities	\$ -	\$ -	\$ -	\$ 32,250	\$ -	\$ 32,250

The District pays the salaries of two employees and is reimbursed by the Foundation. For the fiscal year ended June 30, 2019, the salaries totaled \$170,291, all of which is due at year end and recorded as a liability on the financial statements. The total amount owed to the School District at June 30, 2019 for salaries is \$396,694 which consists of the following:

<b>Fiscal Year Reimbursement Outstanding at June 30, 2019</b>	
2019	\$ 170,291
2018	165,735
2017	<u>60,668</u>
Total	<u>\$ 396,694</u>

As of 2019-2020 the District will absorb the two employee’s salaries and benefits as stated in the Memorandum of Agreement.

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**JUNE 30, 2019**

**Note 6 – Capital Assets**

Capital asset activity for the Foundation for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, being depreciated	\$ 793,279	\$ -	\$ (21,131)	\$ -	\$ 772,148
Total	<u>\$ 793,279</u>	<u>\$ -</u>	<u>\$ (21,131)</u>	<u>\$ -</u>	<u>\$ 772,148</u>

**Note 7 – Long-Term Debt Notes Payable**

The Foundation has a loan agreement through a financial institution for \$614,041 for the purchase of the warehouse building for the Tools for School program. Monthly payments of \$3,997, including interest at a rate of 5.25% began in February 2016 and will continue through January 2026. The debt service requirements to maturity are as follows:

<u>Fiscal period Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 16,254	\$ 31,708	\$ 47,962
2021	17,128	30,834	47,962
2022	18,049	29,913	47,962
2023	19,020	28,942	47,962
2024-2026	<u>543,590</u>	<u>80,945</u>	<u>624,535</u>
	<u>\$ 614,041</u>	<u>\$ 202,342</u>	<u>\$ 816,383</u>

**Note 8 – Budgetary Comparison**

Budgetary comparison schedules for certain governmental funds are required to be presented as Required Supplementary Information (RSI). No budgetary comparison is included in these financial statements as the Foundation does not have legally adopted budgets for all its programs.

**Note 9 – Risk Management**

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Foundation is covered for these risks under insurance policies for the Broward County School District and the Foundation.

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**JUNE 30, 2019**

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**Note 10 – Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

**Note 11 – Subsequent Events**

The Foundation has evaluated all subsequent events through November 15, 2019, the date the financial statements were available to be issued. The Foundation has determined that no additional disclosures were required.



# ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**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  
Broward Education Foundation, Inc. Fort Lauderdale, 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 the governmental activities and each major fund of Broward Education Foundation, Inc. (the "Foundation") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 15, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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### **Miramar Office**

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Broward Education Foundation, Inc.'s Response to Findings

Broward Education Foundation, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Broward Education Foundation, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

This report is intended for the information of the management, Board of Directors of the Foundation, and the School District and is not intended to be and should not be used by anyone other than these specified parties.



November 15, 2019

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2019**

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**Section I – Current Year Findings – Significant Deficiencies**

**2019 - 01    Untimely completion of bank reconciliations**

**Condition**

Bank reconciliations for the Bank of America and Citibank accounts for the last quarter of the fiscal year ended June 30, 2019 were only prepared in October 2019, four months after the close of the fiscal year.

**Criteria**

This may result in misappropriation of funds and improper cut-off.

**Cause of Condition**

Management has not prioritized timely preparation of bank reconciliations as a key internal control.

**Recommendation**

We recommend that bank accounts are reconciled timely on a monthly basis to ensure proper controls over cash transactions.

**Client Response**

We concur with the finding.

The Foundation's policies require that monthly reconciliations of all bank and investment accounts are to be performed by the Controller and reviewed and initialed by the Executive Director.

In addition, the Foundation's policies also state bank statements are reviewed and initialed, monthly by the Executive Director, and at will, by the Board Treasurer.

We have addressed this issue by engaging a full-time Controller and an Accounts Payable Specialist to maintain our accounting records in compliance with our policies and procedures on a more timely basis.

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2019**

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**Section I – Current Year Findings – Significant Deficiencies (continued)**

**2019 - 02 Transactions are not recorded timely during the year**

**Condition**

During our audit we noted that activity for significant accounts such as the prepaid scholarships account, are not maintained and updated in the general ledger throughout the fiscal year. For example, the Foundation relies on a schedule provided by the Florida Prepaid College Foundation at the end of the fiscal year to record the prepaid scholarship activity for the entire year in the general ledger.

**Criteria**

This may result in the misstatement of account balances and the misappropriation of assets.

**Cause of Condition**

During the year the Program Director manages and maintains files on prepaid scholarships independently of the accounting function. Activity and adjustments for the account is only reviewed and recorded in the general ledger at year end for financial statement reporting purposes.

**Recommendation**

We recommend that the Controller performs a quarterly analysis and review of the prepaid scholarships detailed account to verify the accuracy and completeness of the balances, within 30 days of the contract detail report (CDR) from the Florida Prepaid College Foundation. All related activity and adjustments should be posted on the general ledger periodic, upon completion of the review.

**Client Response**

We concur with this finding.

We are currently reviewing our accounting policies, procedures and business processes as part of a review of our Bylaws and the upgrade of our accounting software. This new software will allow for better management and maintenance, along with timelier accountability for pledges and receivables.

We have addressed this issue by engaging a full-time Controller and hiring an Accounts Payable Specialist to maintain accounting records in compliance with policies and procedures established by the board of directors. These changes will also allow for implementation of the recommended periodic analysis and review of the Florida Prepaid Scholarship Program.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2019**

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**Section II – Prior Year Findings - Significant Deficiency**

**2018 – 01 A lack of compliance with the internal control environment exists**

**Condition**

The Foundation experienced turnover of its accounting support and senior accounting personnel during the Spring of 2018. As a result, segregation of duties and other checks and balances were compromised during this period. Hence, a new hire of the accounting department misappropriated monies from the unrestricted accounts of BEF.

**Criteria**

Safeguarding of assets require a functioning internal control environment.

**Cause of Condition**

Lack of compliance with existing internal control policies and procedures. The employee forged the signature of BEF’s check signer on unauthorized expenditures.

**Recommendation**

We suggest that management strengthen the policies on background checks of new hires as well as secured a fidelity policy for individuals handling cash or access to financial instruments. Additionally, a re-evaluation of the cash disbursement internal control environment should be performed to strengthen potential gaps.

**Client Response**

We concur with the findings. This incident occurred due to a lack of compliance with internal controls. The circumstances were extraordinary in that we were dealing with the highly unanticipated, immense volume of donations and the associated administrative duties related to the official Stoneman Douglas Victims’ Fund Campaign. The fraud was structured and sophisticated and occurred while we experienced an additional challenge of staffing in the Accounting area. Since that time, we hired a Controller in July of 2018 who has modified internal controls to ensure appropriate review. MSD funds were not impacted.

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**Section II – Prior Year Findings - Significant Deficiency (continued)**

**2018 – 01 A lack of compliance with the internal control environment exists (cont'd)**

**Current Status**

Finding is still applicable.

As noted above, we are currently reviewing our accounting policies, procedures and business processes as part of a review of our Bylaws and the upgrade of our accounting software.

We have also addressed this issue by engaging a full-time Controller and hiring an Accounts Payable Specialist to maintain accounting records in compliance with policies and procedures established by the board of directors.

Additionally, procedures have been implemented which enhance background checks for board and staff members engaged in the check handling or signing process.

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**Section II – Prior Year Findings - Significant Deficiency (continued)**

**2016-02 Pledges receivables schedule**

**Condition**

The Pledges receivable schedule at year end did not agree with the General Ledger amount by approximately \$427,000.

**Cause of Condition**

The Pledges receivable schedule is maintained in Excel by the Administration Department and the schedule is not sent to the Accounting Department on a regular basis.

**Potential Effect of Condition**

Overstatement of accounts receivable and misappropriation of assets.

**Recommendation**

We recommend, a reconciliation of pledges receivable from the general ledger to the accounts receivable detail ledger should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to, or write-offs of, accounts receivable have been approved.

**Client Response**

We agree with the finding and have acquired the fundraising module of our accounting software which will integrate general ledger and subsidiary record activity.

**Current Status**

Finding is still applicable. Accounts receivables are managed and maintained manually in an excel file by the Administrative and Web Marketing Coordinator, independent of the accounting function. Activity and adjustments for the account is only reviewed and recorded in the general ledger at year end for financial statement reporting purposes.

As noted above, we are currently reviewing our accounting policies, procedures and business processes as part of a review of our Bylaws and the upgrade of our accounting software. This new software will allow for better management and maintenance, along with timelier accountability for pledges and receivables.

The upgrade of the Fund E-Z fund accounting software will allow the Foundation to implement the usage of the fundraising module of the accounting software. This module will integrate the general ledger and subsidiary record activity such as the pledges receivable from the general ledger to the accounts receivable detail ledger.