

# BCEduventures, Inc. and Subsidiary

Consolidated Financial Statements  
For the Six-Month Period Ended  
December 31, 2020



# BCEduventures, Inc. and Subsidiary

Consolidated Financial Statements  
For the Six-Month Period Ended  
December 31, 2020

## **Table of Contents**

---

Independent Auditor's Report	1-2
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-12
<b>Internal Controls and Compliance</b>	
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 <i>Government Auditing Standards</i>	13-14

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
BCEduventures, Inc. and Subsidiary

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BCEduventures, Inc. and Subsidiary (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the six-month period then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the six-month period then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
April 14, 2021

# CONSOLIDATED FINANCIAL STATEMENTS



**BCEduventures, Inc. and Subsidiary**  
**Consolidated Statement of Financial Position**  
**December 31, 2020**

---

**Assets:**

Cash and cash equivalents	\$	866,643
Accounts receivable		95,281
Promises to give, net		169,197
Convertible notes receivable		<u>15,834</u>
Total assets	\$	<u><u>1,146,955</u></u>

**Liabilities:**

Accounts payable and accrued expenses	\$	202,009
Deferred revenue		<u>8,600</u>
Total liabilities		<u>210,609</u>

**Net Assets:**

Without donor restrictions:		
Undesignated		481,449
With donor restrictions:		
Purpose and time restrictions		<u>454,897</u>
Total net assets		<u>936,346</u>
Total liabilities and net assets	\$	<u><u>1,146,955</u></u>

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

**BC Eduventures, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**For the Six-Month Period Ended December 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues:</b>			
Rentals	\$ 177,237	\$ -	\$ 177,237
Sponsorships	500	-	500
In-kind contributions	5,266	-	5,266
Royalties	2,792	-	2,792
Other revenues	1,203	-	1,203
Net assets released from restrictions	<u>2,650</u>	<u>(2,650)</u>	<u>-</u>
Total support and revenues	<u>189,648</u>	<u>(2,650)</u>	<u>186,998</u>
<b>Expenses:</b>			
Program services	262,592	-	262,592
Supporting services:			
Management and general	<u>25,414</u>	<u>-</u>	<u>25,414</u>
Total expenses	<u>288,006</u>	<u>-</u>	<u>288,006</u>
Change in net assets	<u>(98,358)</u>	<u>(2,650)</u>	<u>(101,008)</u>
<b>Net Assets, July 1, 2020</b>	<u>579,807</u>	<u>457,547</u>	<u>1,037,354</u>
<b>Net Assets, December 31, 2020</b>	<u>\$ 481,449</u>	<u>\$ 454,897</u>	<u>\$ 936,346</u>

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

**BCEduventures, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**For the Six-Month Period Ended December 31, 2020**

---

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Rental revenue share	\$ 85,217	\$ -	\$ 85,217
Payroll expense	147,343	4,557	151,900
Professional services	1,933	18,385	20,318
Commissions	19,115	-	19,115
In-kind facility use	4,739	527	5,266
Event operations	3,083	-	3,083
Merchant and bank fees	-	1,899	1,899
Travel and entertainment	533	-	533
Advertising and marketing	239	-	239
Office, postage, and printing	-	46	46
Dues and subscriptions	390	-	390
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses by function	\$ <u>262,592</u>	\$ <u>25,414</u>	\$ <u>288,006</u>

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



**BC Eduventures, Inc. and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**For the Six-Month Period Ended December 31, 2020**

---

**Cash Flows from Operating Activities:**

Change in net assets	\$ (101,008)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Interest income on convertible notes receivable	(390)
Change in assets and liabilities:	
(Increase) decrease in assets:	
Cash held by Broward College	171,091
Accounts receivable	(65,379)
Prepays and other assets	5,408
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(128,241)
Deferred revenue	(2,900)
	<u>(121,419)</u>
Net cash provided by (used in) operating activities	<u>(121,419)</u>
Net increase (decrease) in cash and cash equivalents	(121,419)
<b>Cash and cash equivalents, July 1, 2020</b>	<u>988,062</u>
<b>Cash and cash equivalents, December 31, 2020</b>	<u><u>\$ 866,643</u></u>

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

### **Note 1 - Organization and Operations**

BC Eduventures, Inc. (“BCEd”) began operations on July 1, 2017 to serve as a Type 1 supporting organization to The District Board of Trustees of Broward College, Florida (“Broward College”), a tax-exempt public charity under section 501 (c)(3). BCEd was established to receive, hold, invest, administer gifts, and other sources of revenue; and to make expenditures to, or for the benefit of Broward College.

Broward College, through BCEd, has launched the J. David Armstrong, Jr. Student Venture Fund, led by President Emeritus Armstrong for the benefit of Broward College students who aspire to be successful entrepreneurs. The goal is to help student entrepreneurs convert their ideas into successful businesses by graduating from the “Startup Now” Accelerator Program. The Student Venture Fund provides venture funding to these student-led startups. During 2019, BCEd formed the J. David Armstrong, Jr. Student Venture Fund, LLC (the “Student Venture Fund”), a single member limited liability company, to operate the fund.

The Broward College Startup Now Accelerator is a joint partnership with CareerSource Broward and offers participants a 6-month, four-stage program that challenges entrepreneurs to test their ideas for a potential product-market fit. Students can earn up to 12 college credits toward an Entrepreneurship certificate with Broward College.

### **Note 2 - Summary of Significant Accounting Policies**

**Change of fiscal year end reporting:** During 2020, the Organization changed its fiscal year end from June 30 to December 31 to better align with certain reporting requirements of Broward College. Accordingly, the current financial statements, along with the related notes are prepared for the six-month period from July 1, 2020 through December 31, 2020.

**Basis of accounting:** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

**Principles of consolidation:** The consolidated financial statements include the accounts of BCEd and the Student Venture Fund (collectively the “Organization”). All significant intercompany balances and transactions have been eliminated in consolidation.

**Basis of presentation:** The financial statement presentation follows the guidance of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**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 Restriction* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Any contribution not specifically restricted by the donor or subject to other legal restrictions is considered available for general use.

**Revenue and revenue recognition:** Contributions received are recorded without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their estimated fair value on the date received.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Organization recognizes grants and contributions when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived. Assets received before the barriers are overcome are accounted for as refundable advances. As of December 31, 2020, there are no conditional promises to give.

Revenue from rentals and sponsorships is recognized over the term of the agreement as the benefits are provided unless the revenue is associated with a specific event, in which case it is recognized when the event occurs. Revenue from ticket sales is recognized when the event occurs. Other revenues from products and services, including royalties, are recognized as income when the performance obligation of transferring the products and providing the services are met. Amounts received in advance are deferred to the applicable period.

**Cash and cash equivalents:** Cash equivalents consist of all highly liquid investments with an original maturity of three months or less. The Organization routinely maintains balances with financial institutions in excess of federally insured amounts (Note 4).

**Accounts receivable:** Receivables consist of charges to customers for rent of facilities and other services. No allowance for doubtful accounts was considered necessary by management. Accounts receivable as of December 31, 2020 and June 30, 2020 was approximately \$ 95,300 and \$ 29,900, respectively.

**Promises to give:** Unconditional promises to give that are expected to be collected within one year are recorded 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 based on a risk-free rate of return. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities. The allowance for uncollectable promises to give are determined based on historical experience, an assessment of economic conditions, a review of subsequent collections, and an analysis of the current collectability of individual accounts. Promises to give are written off when deemed uncollectable. At December 31, 2020, the allowance was approximately \$ 25,000.

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

**Deferred revenue:** Contract liabilities are reported as deferred revenue in the accompanying consolidated statement of financial position and represent resources received before revenue has been earned, which included sponsorships, rentals, and ticket sales collected in advance. Deferred revenue as of December 31, 2020 and June 30, 2020 was approximately \$ 8,600 and \$ 11,500, respectively.

**Functional allocation of expenses:** The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by functions. Expenses that can be directly identified with a program or supporting service are charged accordingly. The consolidated financial statements report certain categories of expenses that are attributed to more than one function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses, including payroll, in-kind facility use, and others, which are allocated based on estimates of time and effort and other methods as determined by management.

**Use of estimates:** The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It is at least reasonably possible that the significant estimates used will change within the next year.

**Date of management review:** Subsequent events have been evaluated by management through April 14, 2021, which is the date the consolidated financial statements were issued.

**Note 3 - Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date ending December 31, 2020, comprise the following:

Financial Assets:	
Cash and cash equivalents	\$ 866,643
Accounts receivable	95,281
Promises to give, net	<u>169,197</u>
Financial assets, at period end	1,131,121
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	<u>454,897</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 676,224</u></u>

**Note 4 - Concentrations of Credit Risk**

The Organization maintains its cash and cash equivalents with high credit quality financial institutions. Cash balances may exceed the depositor's insurance provided by the applicable guarantee agency during the period. At December 31, 2020, demand deposits in financial institutions exceeded the insured amount by the applicable guaranty agency by approximately \$ 410,000. The Organization has not experienced any losses in such accounts.

Credit risk with respect to contributions, accounts, and convertible notes receivables is believed by management to be limited due to the number and credit worthiness of the entities and individuals who comprise the contributor/customer base. Contributions, accounts, and convertible notes receivables are stated at the amount management expects to collect from outstanding balances. These balances are unsecured. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers/donors, historical trends, and other information. As of December 31, 2020, four customers account for approximately 90% of accounts receivable, four donors account for approximately 89% of the promises to give, and two issuers comprise the entire outstanding balance of convertible notes.

**Note 5 - Promises to Give**

Promises to give include unconditional promises to give from individuals and corporations, which are summarized as follows as of December 31, 2020:

Receivable in less than one year	\$	91,500
Receivable in one to five years		99,500
Receivable in greater than five years		<u>11,000</u>
Total unconditional pledges at face value		202,000
Less: allowance for doubtful accounts		(24,750)
Less: unamortized discount		<u>(8,053)</u>
	\$	<u><u>169,197</u></u>

Promises are recorded at their net present value. The discount rates ranged from 2.50% to 3.00%.

**Note 6 - Income Taxes**

BCEd is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). Student Venture Fund is a Florida limited liability company wholly owned by BCEd. This limited liability company is treated as a disregarded entity for Federal and state income tax purposes and exists to further enhance BCEd's 501(c)(3) nonprofit status. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Organization's consolidated financial statements. Accordingly, no provision for income taxes has been made.

**Note 7 - Convertible Notes Receivable**

The Student Venture Fund has invested in two convertible notes receivable. The notes are recorded at the principal face amount of \$ 7,500 plus accrued interest of \$ 417, respectively, at December 31, 2020. The notes bear interest at an annual rate of 5.00% and mature in November 2021. No payments are required until maturity. Principal and unpaid interest may be converted to shares of preferred stock on or prior to maturity upon the sale of preferred stock with the purpose of raising capital (automatic conversion) as part of a qualified financing; or to shares of common stock (a) upon a change in control of the company and/or sale of all or substantially all assets; or (b) at the election of the Student Venture Fund on maturity of the note. The conversion price for preferred stock is the lower of (i) 80% of the price paid by in the sale or (ii) the price obtained by dividing a \$ 1,000,000 valuation cap by the fully diluted number of shares as of the closing of the qualified financing. The conversion price for common stock is the price obtained by dividing a \$ 500,000 valuation cap by the fully diluted number of shares immediately prior to a change in control, sale of assets, or maturity date of the note, depending upon the basis of conversion.

**Note 8 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020:

Subject to expenditure for specified purpose:		
Student Venture Fund	\$	285,700
Unconditional promises to give, net that are restricted by donors for:		
Student Venture Fund		<u>169,197</u>
	\$	<u><u>454,897</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows for the period ended December 31, 2020:

Satisfaction of purpose restrictions or time restrictions:		
Student Venture Fund	\$	<u><u>2,650</u></u>

**Note 9 - In-kind Contributions**

The Organization’s policy is to recognize in-kind services and facility use when donated as revenue at estimated fair value, in the period such contributions are received. Contributed professional services, are recognized if the services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills. For the period ended December 31, 2020, the Organization recorded approximately \$ 5,200 related to the use of donated facilities.

**Note 10 - Related Party Transactions**

The Organization is a direct-support organization of Broward College (Note 1). The following is a schedule of balances and transactions with Broward College as of and for the period ended December 31, 2020, which are included in the consolidated statement of activities and functional expenses:

Revenue share	\$	86,501
Payroll		151,900
In-kind facility use (Note 9)		<u>5,266</u>
Total	\$	<u><u>243,667</u></u>

As of December 31, 2020, there were accounts payable and accrued expenses due to Broward College totaling approximately \$ 200,000.

Previously, the Organization negotiated a ten-year operating lease agreement on behalf of the College with the Fort Lauderdale Children’s Theatre, Inc. (“Florida Children’s Theatre”). Under the terms of the agreement, annual base rent ranging from approximately \$ 88,000 to \$ 115,000 plus common area maintenance. The agreement provides for an extension for an additional ten-years.

In addition, the Organization receives financial support from various members of the Board of Directors or their affiliated organizations.

**Note 11 - Uncertainties**

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the *World Health Organization* designated the coronavirus outbreak a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Organization’s financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.

# INTERNAL CONTROLS AND COMPLIANCE



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  
BCEduventures, Inc. and Subsidiary

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 consolidated financial statements of BCEduventures, Inc. and Subsidiary (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the six-month period then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 14, 2021.

### Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we 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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
April 14, 2021