

BROWARD EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

BROWARD EDUCATION FOUNDATION, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2020

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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 Broward Education Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Broward Education Foundation, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020, on our consideration of the Broward Education Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Broward Education Foundation, Inc.'s internal control over financial reporting and compliance.



Miramar, Florida
September 25, 2020

BROWARD EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,150,601
MSD cash and investments	112,426
Investments	2,341,270
Accounts receivable	33,250
Inventories	<u>2,286,445</u>
Total current assets	<u>5,923,992</u>

Property and equipment, net	<u>751,017</u>
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Other assets:

Prepaid scholarships	3,809,221
Assets held for others	<u>2,361,824</u>
Total other assets	<u>6,171,045</u>
Total Assets	<u>\$ 12,846,054</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 169,182
Current portion loan payable	17,128
Deferred revenue	<u>535,000</u>
Total current liabilities	<u>721,310</u>

Non-current liabilities:

Loan payable	580,659
Trust beneficiaries liability	<u>2,361,824</u>
Total non-current liabilities	<u>2,942,483</u>
Total liabilities	<u>3,663,793</u>

Net assets:

Net assets without donor restrictions	4,721,648
Net assets with donor restrictions	<u>4,460,613</u>
Total net assets	<u>9,182,261</u>
Total Liabilities and Net Assets	<u>\$ 12,846,054</u>

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

BROWARD EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 1,880,187	\$ 417,734	\$ 2,297,921
Grants and contributions - MSD	-	4,136	4,136
Administrative fees	33,446	-	33,446
School supplies/in-kind donations	3,239,028	-	3,239,028
Investment income	59,052	-	59,052
Fundraising Income	527,448	-	527,448
Other income	<u>347,147</u>	<u>-</u>	<u>347,147</u>
Total unrestricted support and revenue	<u>6,086,308</u>	<u>421,870</u>	<u>6,508,178</u>
OPERATING EXPENSES			
General administration	406,795	-	406,795
School Supply Program	2,621,453	-	2,621,453
Scholarship Program	1,333,938	-	1,333,938
Innovative Teaching Program	228,162	-	228,162
Other Programs & MSD	256,817	2,000	258,817
Fundraising	247,918	-	247,918
Interest expense	31,708	-	31,708
Depreciation	<u>21,131</u>	<u>-</u>	<u>21,131</u>
Total expenses	<u>5,147,922</u>	<u>2,000</u>	<u>5,149,922</u>
Change in net assets	938,386	419,870	1,358,256
Net assets, beginning of year as restated	<u>3,783,261</u>	<u>4,040,744</u>	<u>7,824,005</u>
Net assets, end of year	<u>\$ 4,721,647</u>	<u>\$ 4,460,614</u>	<u>\$ 9,182,261</u>

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

BROWARD EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:

Change in net assets \$ 1,358,256

Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:

In-kind inventories (831,240)
 Depreciation 21,131
 Unrealized gain on investments (213,494)
 Deferred revenue and designated fund accounts 295,340

Change in operating assets and liabilities:

MSD investments and pledges (77,940)
 Accounts receivable (6,400)
 Accounts payable and accrued expenses (274,293)
 Prepaid scholarships (131,198)
 Deferred revenue 535,000
 Net cash provided by operating activities 675,162

Cash flows from investing activities:

Change in investments, net 152,401
 Net cash provided by investing activities 152,401

Cash flows from financing activities:

Principal payments on loan payable (16,254)
 Net cash (used in) financing activities (16,254)

Net increase in cash and cash equivalents 811,309
 Cash and cash equivalents, beginning of the year 339,292
 Cash and cash equivalents, end of the year \$ 1,150,601

Non-cash activities:

Contribution of school supplies \$ 3,016,528
 Expenditures of school supplies \$ 2,127,479

Supplemental disclosure of cash flow information:

Interest paid \$ 31,708
 Change in assets and liabilities of beneficiaries \$ 1,118,893

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

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 eight individuals who are paid through the Foundation’s payroll. In addition, two individuals employed and paid by the District, work at 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. Frederick A. Deluca Foundation, Inc. and Community Foundation of Broward awards Broward Education Foundation’s Scholarship Program which supports first generation college students, many of whom are homeless and have high academic or community service achievements, without the financial ability to attend the schools of their choice.

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Organization (continued)

CORE PROGRAMS (continued)

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.

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.

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Organization (continued)

FUNDING SOURCES (continued)

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 2nd 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.

Marjory Stoneman Douglas ("MSD") Victims' Fund

On February 14, 2018, a mass shooting occurred at Marjory Stoneman Douglas High School. Broward Education Foundation orchestrated a large fundraiser to support the families and victims of this horrific tragedy. The campaign ended on June 30, 2019. Beneficiaries applied and were vetted in accordance with recommendations from business, community, and civic-based Marjory Stoneman Douglas Victims' Fund Steering Committee. Said beneficiaries received \$10.6 million during the fiscal year ending June 30, 2019.

As of June 30, 2020, the MSD Victims' Fund balance is \$112,426, comprised of remaining funds and subsequent donations from donors who were apprised the campaign had ended but still wished to help. These funds will be transferred to the MSD Strong fund, which will be used as directed by donors for the benefit of the school, students, teachers, and administrators in its/their ongoing recovery.

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.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of presentation

The accompanying financial statements of the Foundation have been prepared on an accrual basis in conformity with U.S. generally accepted accounting principles.

The financial statement presentation follows the recommendations of ASU 2016-14, Not-for-Profit Entities. Under ASU 2016-14, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - *net assets with donor restrictions and net assets without donor restrictions*.

Net Assets without Donor Restrictions—These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions—These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted

Net Assets of the Foundation are comprised of both “Net Assets With Donor Restrictions” and “Net Assets Without Donor Restrictions.”

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 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 retail value, as determined by management on a first-in first-out basis.

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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:

Asset Class	Minimum	Target	Maximum
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.

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 “Tools for Schools Broward” 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 space, equipment, and supplies 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.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Prepaid Scholarships

Unused scholarships purchased by the Foundation under the Florida Prepaid Program or through Broward College are recorded as prepaid scholarships. Some of the scholarships are assigned to be given 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

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

New Accounting Pronouncements

The FASB has issued several pronouncements that have effective dates in the future that may impact future financial presentations.

ASU No. 2020-07, *Not-for-Profit Entities (Topic 958)*

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

The Board is issuing this Update to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure.

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Summary of Significant Accounting Policies (cont'd)

New accounting pronouncements (cont'd)

ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) (continued)*

The amendments in this Update apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms).

The amendments in this Update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605, *Not-for-Profit Entities—Revenue Recognition*, for those assets.

The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted

Management has not currently determined what effect the implementation of this statement may have on the Foundation's financial statements.

ASU No. 2016-02, (Updated No. 2020-05), *Leases (Topic 842)*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Lessor accounting is largely unchanged from that applied under previous GAAP. The new pronouncement is effective for entities within the "all other" category for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Additionally, *Leases* is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, for public NFP entities that have not yet issued financial statements (or made available for issuance) reflecting the adoption of *Leases*.

Early application of the amendments in this update is permitted for all entities.

Management has not currently determined what effect the implementation of this statement may have on the Foundation's financial statements.

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Summary of Significant Accounting Policies (cont'd)

New accounting pronouncements (cont'd)

ASU 2014-09 (Updated No. 2020-05), *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of the Revenue ASU may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020. Those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

Management has not currently determined what effect the implementation of this statement may have on the Foundation's financial statements.

Note 3 – Change in Accounting Principles

Prior to 2020, the Foundation valued inventories at seventy percent of retail value. Effective July 1, 2019, inventories are stated at retail value, as determined by management on a first-in first-out basis. This valuation approach by management is consistent with generally accepted accounting principles and aligns with the practice of members of the Consortium of Florida Education Foundations. The changes were incorporated in the Foundation's 2020 financial statements and the effect on the current year net asset balance at June 30, 2020 is \$831,240. The effect on the Foundation's previously reported net asset balance as of June 30, 2019 has not been determined in these financial statements.

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 4 – Cash, Deposits, and Investments

At June 30, 2020, the Foundation maintained cash balances (including agency funds) of approximately \$6 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.

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, 2020.

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

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

The Foundation’s investments as of June 30, 2020 were distributed as reflected in the following table:

<u>Long Term Investment Fund</u>				<u>Actual</u>	
<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Asset Total</u>	<u>Allocation</u>
Equity investments	25%	35%	45%	\$ 1,695,060	40%
Fixed income	40%	53%	65%	2,139,601	51%
Alternatives	0%	10%	20%	115,751	3%
Cash equivalents	0%	2%	30%	<u>239,869</u>	<u>6%</u>
Total Endowment Investment Funds				<u>4,190,281</u>	<u>100%</u>
<u>Short Term Investment Fund</u>					
Cash equivalents				-	
Ultra-short-term fixed income mutual funds				<u>-</u>	
Total short-term investment funds				<u>-</u>	
Total investment funds				<u>4,190,281</u>	
Operating cash in checking and money market accounts				<u>1,775,840</u>	
Total cash and investments (governmental and fiduciary fund)				<u>\$ 5,966,121</u>	
<u>Reconciliation to the financial statements</u>					
Cash				\$ 1,150,601	
MSD accounts				112,426	
Investments				2,341,270	
Cash - assets held for others				512,813	
Investments - assets held for others				<u>1,849,011</u>	
Total cash and investments				<u>\$ 5,966,121</u>	

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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.

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 contributes operating space, supplies, and equipment for the Foundation. For the fiscal year ended June 30, 2020, the amount contributed for the use of office space, equipment, furniture, fixtures, and supplies was \$222,500. Those amounts are recorded as revenues and corresponding expenditures as follows on the statement of activities:

	Scholarship Program Revenues and Expenditures	School Supply Center Other Revenues and Expenditures	Innovative Teaching Program Revenues and Expenditures	Other Revenues and General Administration Expenditures	Other Revenues and Other Program Expenditures	Totals
In-kind utilities and facilities	<u>\$ 33,004</u>	<u>\$ 42,996</u>	<u>\$ 10,504</u>	<u>\$ 135,996</u>	<u>\$ -</u>	<u>\$ 222,500</u>

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 6 – Capital Assets

Capital asset activity for the Foundation for the year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, being depreciated	\$ 772,148	\$ -	\$(21,131)	\$ -	\$751,017

Note 7– Long-Term Debt Notes Payable

The Foundation has a loan agreement through a financial institution for \$597,787 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>
2021	\$ 17,128	\$ 30,834	\$ 47,962
2022	18,049	29,913	47,962
2023	19,020	28,942	47,962
2024	20,043	27,919	47,962
2025-2026	<u>523,547</u>	<u>53,026</u>	<u>576,573</u>
	<u>\$ 597,787</u>	<u>\$ 170,634</u>	<u>\$ 768,421</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.

BROWARD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Note 11 – Prior Period Adjustment

During the year ended June 30, 2020 it was determined that the deferred revenue and designated fund account balances were inadvertently misstated as a result of incorrect balances recorded in prior periods. Correcting this error resulted in the elimination of the erroneous balances in the deferred revenue accounts and the restatement of the designated fund accounts, and increased net assets by \$295,340 at June 30, 2019.

As a result of this correction, net assets at June 30, 2019 were restated as follows:

	Net Assets
Net assets as previously reported at June 30, 2019	\$ 7,528,665
Adjustment to deferred revenue and designated fund accounts	<u>295,340</u>
Net assets as restated at June 30, 2019	<u>\$ 7,824,005</u>

Note 12 – Deferred Revenue

In May 2020, the Foundation received a grant in the amount of \$535,000 from the Frederick A. DeLuca Foundation, Inc. ("DeLuca"), towards the Foundation's Scholarship Program which supports first generation college students, many who are homeless and have high academic or community service achievements, without the financial ability to attend the schools of their choice. The DeLuca grant is payable over a period of twelve months towards scholarships for 2020 – 2021 fiscal school year, assuming the Foundation makes satisfactory progress towards the goals of the grant and complies with stated conditions per the grant agreement.

Note 13 – Subsequent Events

The Foundation has evaluated all subsequent events through September 25, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact contributions and donations. However, the related financial impact on operations and duration cannot be reasonably estimated at this time.



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, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 25, 2020.

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.

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.



Miramar, Florida
September 25, 2020

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Section I – Current Year Findings – Significant Deficiencies

No findings in current year.

Section II – Prior Year Findings - Significant Deficiency

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.

Current Year Status

We did not identify any instances of bank reconciliations not being prepared on time. This condition is no longer applicable.

BROWARD EDUCATION FOUNDATION, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Section II – Prior Year Findings - Significant Deficiency (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.
A COMPONENT UNIT OF
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Section II – Prior Year Findings – Significant Deficiencies (continued)

2019 - 02 Transactions are not recorded timely during the year (continued)

Current Year Status

We observed that prepaid scholarship balances were monitored, and transactions were recorded timely during the year resulting in minimal closing adjustments at year end. However, we observed that the deferred revenue and designated funds accounts (trust beneficiary liability accounts), were not reviewed during the year and included many unsupported balances that were posted in prior years. This resulted in a prior year adjustment to the opening fund balances. We encourage management to consistently perform detailed reviews and updates of accounts during the year.

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

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

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.

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

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

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

Current Status – FY 2019

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.

Current Year Status

This condition was not observed in current year.

BROWARD EDUCATION FOUNDATION, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

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 – FY 2019

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.

BROWARD EDUCATION FOUNDATION, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

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

2016-02 Pledges receivables schedule (continued)

Current Year Status

The upgrade of the Foundation’s accounting software is still pending, and accounts receivable are still managed outside Fund-EZ. That said, we observed that accounts receivable balances were monitored, and transactions were recorded timely during the year.