

**The Education Foundation
of Palm Beach County, Inc.**

Financial Statements

Year ended June 30, 2019

The Education Foundation of Palm Beach County, Inc.

**Financial Statements
Year Ended June 30, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Education Foundation of Palm Beach County, Inc.
West Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Education Foundation of Palm Beach County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the years 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. 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 Education Foundation of Palm Beach County, Inc. as of June 30, 2019, 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.

Schanel & Associates, PA

Jupiter, Florida
November 21, 2019

**THE EDUCATION FOUNDATION OF
PALM BEACH COUNTY, INC.**

**Statement of Financial Position
June 30, 2019**

Assets

Cash and cash equivalents	\$1,708,379
Contributions and grants receivable	151,508
Supplies inventory	441,447
Investments	319,448
Other assets	500
Equipment, net	<u>11,782</u>
Total assets	<u><u>\$2,633,064</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$7,298
Accrued expenses and other liabilities	24,698
Pass-through funds payable	<u>946,852</u>
Total liabilities	<u>978,847</u>

Net assets:

With donor restrictions	734,002
Without donor restrictions	<u>920,215</u>

Total net assets 1,654,217

Total liabilities and net assets **\$2,633,064**

See accompanying notes to financial statements.

**THE EDUCATION FOUNDATION OF
PALM BEACH COUNTY, INC.**

**Statement of Activities
For the Year Ended June 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$1,266,698	\$274,351	\$1,541,049
In-kind contributions and contributed services	95,066	577,568	672,634
Other income	7,388	-	7,388
	<u>1,369,152</u>	<u>851,919</u>	<u>2,221,071</u>
Total support and revenue			
Net assets released from restrictions	763,027	(763,027)	-
	<u>2,132,179</u>	<u>88,892</u>	<u>2,221,071</u>
Expenses:			
Programs-			
Career Education	421,852	-	421,852
Professional Development & Training	9,045	-	9,045
Academic Improvement/AVID	75,700	-	75,700
Red Apple Supplies	790,682	-	790,682
Literacy Initiative	34,000	-	34,000
Go Teach	82,878	-	82,878
Development	284,541	-	284,541
Management and general	343,002	-	343,002
	<u>2,041,700</u>	<u>-</u>	<u>2,041,700</u>
Total Expenses			
Increase in Net Assets	90,479	88,892	179,371
Net Assets at Beginning of Year	829,736	645,110	1,474,846
Net Assets at End of Year	<u>\$920,215</u>	<u>\$734,002</u>	<u>\$1,654,217</u>

See accompanying notes to financial statements.

**THE EDUCATION FOUNDATION OF
PALM BEACH COUNTY, INC.**

**Statement of Functional Expenses
For the Year Ended June 30, 2019**

	Program Services					Support Services			TOTAL
	Career Education	Go Teach	Academic Improvement	Red Apple Store	Other Programs	Total	Management and General	Development	
Salaries, taxes and benefits	\$61,600	\$0	\$0	\$133,736	\$0	\$195,336	\$241,106	\$65,279	\$501,721
Stipends/contract labor	25,356	370	-	-	9,975	35,701	-	-	35,701
Professional fees	-	1,220	35	-	35	1,290	32,813	21,678	55,781
Grants & awards	-	62,301	-	-	-	62,301	-	11,756	74,067
Conferences & training	17,274	-	25,752	2,097	6,296	51,419	-	-	51,419
Banquets	-	-	-	14,079	-	14,079	-	-	14,079
Classroom materials	36,497	-	23,898	-	26,739	87,134	9,852	-	96,986
Program supplies/operations	13,470	-	25,788	5,202	-	44,460	9,301	50,607	104,368
Program management	18,587	15,000	-	15,613	-	49,200	-	-	49,200
Program equipment	245,261	-	-	-	-	245,261	-	-	245,261
School supplies distributed	-	-	-	610,834	-	610,834	-	-	610,834
Occupancy costs	-	-	-	-	-	0	12,000	-	12,000
Printing, postage & supplies	-	3,558	227	-	-	3,785	3,125	8,992	15,902
Marketing	-	-	-	-	-	0	-	110,250	110,250
Insurance	-	-	-	3,852	-	3,852	5,438	631	9,921
Membership dues	-	-	-	-	-	0	7,015	8,979	15,994
Other expenses	3,807	429	-	5,269	-	9,505	22,195	6,516	38,216
Total	\$421,852	\$82,878	\$75,700	\$790,682	\$43,045	\$1,414,157	\$342,845	\$284,698	\$2,041,700

See accompanying notes to financial statements.

**THE EDUCATION FOUNDATION OF
PALM BEACH COUNTY, INC.**

**Statement of Cash Flows
For the Year Ended June 30, 2019**

Cash Flows from Operating Activities

Increase in net assets	\$179,371
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,902
Increase in investments and other assets	(64,766)
Increase in contributions and grants receivable	(61,636)
Increase in supplies inventory	(37,800)
Increase in accounts payable and accrued expenses	(152,260)
Increase in pass-through funds payable	<u>(1,778)</u>
Net Cash Provided by (Used in) Operating Activities	(128,967)
Cash Flows from Investing Activities	<u>0</u>
Net Cash Provided By (Used in) Investing Activities	<u>0</u>
Change in Cash and Cash Equivalents	(128,967)
Cash and Cash Equivalents, beginning of year	<u>1,837,346</u>
Cash and Cash Equivalents, end of year	<u><u>\$1,708,379</u></u>

See accompanying notes to financial statements.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1- Organization and Description of Business

The Education Foundation (the "Foundation") was established in 1984 by Palm Beach County business leaders to serve as the philanthropic support organization for K-12 public education. The Foundation partners closely with the School District of Palm Beach County and the greater business and charitable community to fund programs that close achievement gaps in learning and create positive, measurable change for students. Through a unique matching grant program, the Foundation works with corporate and private investors to fund innovative projects and curriculum that improve literacy and grade-level performance, increase graduation rates, support STEM and career academies, target support to low-performing students and schools, and provide disadvantaged students with free school supplies throughout the year. The Foundation fosters excellence in teaching and leadership by funding direct classroom grants, recognizing educators who excel, and providing quality professional development.

Note 2- Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting. Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net assets without Donor Restrictions – Available for use in general operations and are not restricted by donor-imposed stipulations, even though they may be limited in other respects, such as by governing body designation.

Net Assets with Donor Restrictions – Some restrictions are temporary in nature, such as those that will be met when used for the purpose specified by the donor or by the passage of time. Donor-imposed restrictions are released when the stipulated purpose has been fulfilled, the stipulated time has elapsed, or both. Contributions for of long-lived assets and of cash restricted for the acquisition of long-lived assets are released when the assets are placed in service.

Accounting Estimates

The preparation of financial statements in conformity with accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods (time restriction) or are restricted by the donor for specific purposes (purpose restriction) are reported as donor restricted support that increases the net assets with donor restrictions class.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2- Summary of Significant Accounting Policies, continued

Contributions, continued

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the contribution is reported as unrestricted.

In-Kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. Gifts of non-monetary contributions are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Foundation recognizes the fair value of contributed services received if such services (1) create or enhance non-financial assets or (2) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not contributed.

Fund-raising

The Foundation's financial statements are presented in accordance with Accounting Standard Codification 958 ("ASC"), *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that include Fund Raising* (formerly Statement of Position 98-2). This ASC establishes criteria for accounting and reporting for any activity that solicits contributions.

Cash and Cash Equivalents

Cash and cash equivalents consist of non-interest bearing demand deposit accounts and interest-bearing money market accounts. For purposes of the statements of cash flows, the Foundation considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents.

Contributions and Grants Receivable

The receipt by the Foundation of unconditional promises to give with payment amounts due in future periods are reported as contributions and grants with donor restrictions. These receivables are deemed fully collectible.

Inventory

Inventory consists of school supplies held for distribution at the Red Apple Supply Store. Donated items are valued at their estimated fair market value. Purchased items are recorded at the lower of cost or market.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2- Summary of Significant Accounting Policies, continued

Valuation of Investments at Fair Value

FASB ASC 820, *Fair Value Measurements*, defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date.

ASC 820 established a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that the market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization.

Unobservable inputs reflect an organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Equipment

Equipment is recorded at cost, if purchased, or at fair value at the time of the donation, if contributed. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain costs, primarily salaries and benefits, have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and Chapter 220.13 of the Florida Statutes. The Foundation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. Accordingly, there is no provision for income taxes.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2- Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncement

In November 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the classification of restricted cash in the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. Management is evaluating the potential impact of this new guidance on the financial statements.

Accounting Pronouncements Adopted

In 2019, the Foundation adopted the ASU No. 2016-14 *Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*. Under the new guidance, not-for-profit ("NFP") entities are required to: (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the currently required three classes. The new classes are net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets; (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the previously required three classes; (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method; (4) provide enhanced disclosure on (a) governing board designations, appropriation, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restriction as of the end of the period; (b) composition of net assets with donor restrictions at the end of the period; (c) qualitative information that communicates how the Foundation manages its liquid resources to meet cash needs for general expenditures within one year of the statement of condition date; (d) qualitative information that communicates availability of the Foundation's financial assets at the statement of condition date to meet cash needs for general expenditures within one year of such date; (e) amount of expenses by both their natural and functional classifications; (f) methods used to allocate costs among programs and support functions; and, (g) additional disclosures on underwater endowment funds.

Date of Management's Review

Management has evaluated subsequent events through November 21, 2019, the date which the financial statements were available to be issued.

Note 3- Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, maintained at several interest bearing and non-interest bearing bank accounts which, at time, may exceed federally insured limits guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2019, the Foundation had \$543,696 in excess of FDIC insured limits. In assessing its risk, the Foundation's policy is to bank with high quality financial institutions. The Foundation has not experienced losses of this nature in any of its depository accounts.

THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4- Investment Securities

Investments are stated at fair value and have been categorized based upon a fair value hierarchy, in accordance with FASB ASC 820 (see Note 2). The investments held at June 30, 2019 consisted of money market balances and mutual funds. The Foundation's investments are being held for the benefit of certain pass-through contributors. As such, all investments earnings as well as portfolio gains & losses are recorded as increases to the related pass-through payable.

Note 5-Equipment

Equipment consists of a forklift purchased in 2016 and a van purchased in 2017. The total cost of these assets was \$39,480 and accumulated depreciation as of June 30, 2019 amounted to \$27,698. Depreciation has been calculated using the straight-line method over the expected useful lives of the assets. Depreciation expense amounted to \$9,900 for the year ending June 30, 2019.

Note 6- Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use within one year of June 30, 2019 are composed of the following:

Financial assets at June 30, 2019:

Cash and cash equivalents	\$ 1,708,379
Contributions and grants receivable	151,508
Investments	<u>319,448</u>
Total financial assets	<u>2,179,335</u>
Less financial assets not available for general expenditure within one year due to:	
Restricted by donors with purpose restrictions	736,581
Pass-through funds payable	<u>946,852</u>
Total financial assets unavailable for general expenditure	<u>1,683,433</u>
Total financial assets available for general expenditures within one year	<u>\$ 495,902</u>

**THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 7- Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 were restricted for the following purposes. There were no time restrictions.

Red Apple Supply Store	\$ 574,989
Career Education	104,982
Other Programs	<u>54,031</u>
Total	<u>\$ 734,002</u>

During the year ended June 30, 2019 \$763,027 of temporarily restricted net assets were released from donor restrictions.

Note 8- In-Kind Contributions and Contributed Services

The in-kind contributions and contributed services received by the Foundation during the year ending June 30, 2019 are summarized below:

Supplies inventory	\$ 648,634
Office space	12,000
Professional fees	<u>12,000</u>
Total	<u>\$ 672,634</u>

Note 9- Major Programs

Academic/Graduation Improvement

The AVID System (Advancement via Individual Determination) is a district-wide academic and graduation improvement initiative supported by the Education Foundation of Palm Beach County (EFPBC), based upon its superior student outcomes. The AVID program mission is to close the achievement gap by preparing all students for college readiness and success in a global society. AVID served 56 schools in the 2018- 2019 school year through a combination of District, EFPBC, School District Matching Grant and Bank of America Funding.

**THE EDUCATION FOUNDATION OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 9- Major Programs, continued

Career Education

These programs support students in preparing for a career and post-secondary success beyond high school. In an effort to foster post-graduate success, the Healthcare Innovation Project is a collaborative effort between the School District of Palm Beach County, Quantum Foundation and the Education Foundation of Palm Beach County. This project expanded innovation in schools that have Medical Science Academies throughout the district, preparing students for careers in the medical field.

The Fire Science Academy at Palm Beach Lakes Community High School is a 4-year Career and Technical Choice Academy providing students the opportunity to graduate with a high school diploma and earn two industry certifications (Firefighter I and Emergency Medical Responder) leading to employment opportunities post-graduation. The Fire Sciences Academy also provides the pathway and preparation for entry into post-secondary fire academies, with a matriculation agreement in place for eligible students to transition smoothly into the Fire Academy at Palm Beach State College. In addition to providing non-college bound students with the opportunity to train for a sustainable career, this program will increase the diversity in local fire departments.

Red Apples Supplies

Red Apple Supplies is a free school supply store for teachers providing critical supplies to students in the 43 highest-needs schools in the District.

Go Teach!

Individual and classroom grants that encourage educators to create innovative and exciting educational opportunities for students.

Note 10- Pass-Through Contributions

The Foundation administers certain contributions in the capacity as intermediary. The majority of these funds come from other non-profit organizations, in particular the School District of Palm Beach County. The Foundation considers the use of such funds to be consistent with its mission. However, since the Foundation does not have discretion as to the ultimate recipient of these funds, they are considered "pass-throughs" and as such have not been recognized as revenue in the accompanying financial statements. For the year ending June 30, 2019 these pass-through receipts and disbursements amounted to \$842,121 and \$843,898, respectively.