

The Education Foundation of Palm Beach County, Inc.

**Financial Statements
Years Ended June 30, 2018 and 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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
January 8, 2019

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

Statements of Financial Position

	June 30, 2018				June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets								
Cash and cash equivalents	\$489,574	\$1,310,272	\$37,500	\$1,837,346	\$345,194	\$1,337,226	\$37,500	\$1,719,920
Contributions and grants receivable	78,918	10,954	-	\$89,872	39,456	35,922	-	75,378
Supplies inventory	-	403,647	-	403,647	-	206,814	-	206,814
Investments	-	255,183	-	255,183	-	246,453	-	246,453
Equipment, net	-	21,682	-	21,682	-	31,584	-	31,584
Total assets	\$568,492	\$2,001,738	\$37,500	\$2,607,730	\$384,650	\$1,857,999	\$37,500	\$2,280,149
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	\$33,532	\$150,723	\$-	\$184,255	\$44,887	\$64,153	\$-	\$109,040
Pass-through funds payable	-	948,629	-	948,629	-	924,703	-	924,703
Total liabilities	33,532	1,099,352	0	1,132,884	44,887	988,856	0	1,033,743
Net assets:								
Unrestricted	534,960	-	-	534,960	339,763	-	-	339,763
Temporarily restricted	-	902,386	-	902,386	-	869,143	-	869,143
Permanently restricted	-	-	37,500	37,500	-	-	37,500	37,500
Total net assets	534,960	902,386	37,500	1,474,846	339,763	869,143	37,500	1,246,406
Total liabilities and net assets	\$568,492	\$2,001,738	\$37,500	\$2,607,730	\$384,650	\$1,857,999	\$37,500	\$2,280,149

See accompanying notes to financial statements.

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

**Statements of Activities
For the Years Ended June 30, 2018 and 2017**

	Year Ended June 30, 2018			Year Ended June 30, 2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenue:								
Contributions and grants	\$694,911	\$694,907	\$ -	\$1,389,818	\$514,152	\$750,994	\$ -	\$1,265,146
In-kind contributions and contributed services	22,000	463,966	-	485,966	33,282	259,602	-	292,884
Other income	10,991	-	-	10,991	7,825	-	-	7,825
Total support and revenue	727,902	1,158,873	-	1,886,775	555,259	1,010,596	-	1,565,855
Net assets released from restrictions	1,125,630	(1,125,630)	-	-	1,000,096	(1,000,096)	-	-
	1,853,532	33,243	-	1,886,775	1,555,355	10,500	-	1,565,855
Expenses:								
Programs-								
Career Education	232,657	-	-	232,657	352,112	-	-	352,112
Professional Development & Training	95,699	-	-	95,699	91,577	-	-	91,577
Dwyer Awards	115,301	-	-	115,301	117,098	-	-	117,098
Academic Improvement/AVID	108,913	-	-	108,913	88,896	-	-	88,896
Red Apple Supplies	414,465	-	-	414,465	323,553	-	-	323,553
Literacy Initiative	91,323	-	-	91,323	23,798	-	-	23,798
Go Teach	60,298	-	-	60,298	65,007	-	-	65,007
Other programs	18,676	-	-	18,676	34,300	-	-	34,300
Development	338,551	-	-	338,551	274,152	-	-	274,152
Management and general	182,452	-	-	182,452	189,910	-	-	189,910
Total Expenses	1,658,335	-	0	1,658,335	1,560,403	-	0	1,560,403
Increase in Net Assets	195,197	33,243	0	228,440	(5,048)	10,500	0	5,452
Net Assets at Beginning of Year	339,763	869,143	37,500	1,246,406	344,811	858,643	37,500	1,240,954
Net Assets at End of Year	\$534,960	\$902,386	\$37,500	\$1,474,846	\$339,763	\$869,143	\$37,500	\$1,246,406

See accompanying notes to financial statements.

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

**Statements of Functional Expenses
For the Year Ended June 30, 2018**

	Program Services						Support Services			TOTAL
	Career Education	Prof. Dev. & Training	Dwyer Awards	Academic Improvement	Red Apple Store	Other Programs	Total	Management and General	Development	
Salaries and benefits	\$99,684	\$64,459	\$17,638	\$26,801	\$72,969	\$46,153	\$327,704	\$81,052	\$151,872	\$560,628
Stipends/contract labor	-	15,413	16,306	-	-	3,950	35,669	-	-	35,669
Professional fees	-	-	-	-	-	-	0	39,961	11,320	51,281
Grants & awards	-	-	30,898	-	-	63,148	94,046	-	-	94,046
Conferences & training	11,421	9,104	-	33,904	-	35,077	89,506	14,289	-	103,795
Banquets	-	-	40,182	-	-	-	40,182	-	2,726	42,908
Program supplies & expenses	119,452	6,645	7,226	47,858	39,222	12,616	233,019	6,510	498	240,027
School supplies distributed	-	-	-	-	294,700	-	294,700	-	-	294,700
Occupancy costs	-	-	-	-	663	-	663	12,000	485	13,148
Printing, postage & supplies	-	-	2,345	350	-	1,228	3,923	6,566	27,626	38,115
Marketing	-	-	-	-	827	-	827	-	135,855	136,682
Insurance	-	-	-	-	5,167	-	5,167	5,462	50	10,679
Membership dues	-	-	-	-	-	-	0	10,227	3,519	13,746
Other expenses	2,100	78	706	-	917	8,125	11,926	6,385	4,600	22,911
Total	\$232,657	\$95,699	\$115,301	\$108,913	\$414,465	\$170,297	\$1,137,332	\$182,452	\$338,551	\$1,658,335

See accompanying notes to financial statements.

THE EDUCATION FOUNDATION OF
PALM BEACH COUNTY, INC.

Statements of Functional Expenses
For the Year Ended June 30, 2017

	Program Services						Support Services			TOTAL
	Career Education	Prof. Dev. & Training	Dwyer Awards	Academic Improvement	Red Apple Store	Other Programs	Total	Management and General	Development	
Salaries and benefits	\$187,557	\$40,750	\$14,809	\$14,351	\$87,791	\$21,478	\$366,736	\$77,349	\$89,978	\$534,063
Stipends/contract labor	-	21,046	16,760	-	5,968	-	43,774	-	-	43,774
Professional fees	-	-	-	-	-	-	-	67,442	93,504	160,946
Grants & awards	-	-	31,381	10,000	-	76,330	117,711	-	9,023	126,734
Conferences & training	16,800	13,728	-	24,849	2,378	-	57,755	9,054	-	66,809
Banquets	-	-	42,997	-	-	132	43,129	-	27,514	70,643
Program & other supplies	147,755	15,397	7,844	39,696	173,800	13,756	398,248	6,510	13,028	417,786
Occupancy costs	-	-	-	-	37,178	-	37,178	12,000	-	49,178
Printing & postage	-	-	3,057	-	349	-	3,406	1,400	21,240	26,046
Marketing	-	-	-	-	10,353	-	10,353	620	-	10,973
Insurance	-	-	250	-	4,653	-	4,903	8,541	1,123	14,567
Membership dues	-	-	-	-	-	-	-	5,578	4,236	9,814
Other expenses	-	656	-	-	1,083	11,409	13,148	1,416	14,506	29,070
Total	\$352,112	\$91,577	\$117,098	\$88,896	\$323,553	\$123,105	\$1,096,341	\$189,910	\$274,152	\$1,560,403

See accompanying notes to financial statements.

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

**Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase in net assets	\$228,440	\$5,452
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,902	7,896
Increase in investments	(8,730)	(18,614)
(Increase)/decrease in contributions receivable	(14,494)	13,155
(Increase) in supplies inventory	(196,833)	(81,009)
Increase in accounts payable and accrued expenses	75,215	70,139
Increase in pass-through funds payable	23,926	26,745
	<u>117,426</u>	<u>23,764</u>
Net Cash Provided by (Used in) Operating Activities	117,426	23,764
Cash Flows from Investing Activities		
Purchase equipment	<u>0</u>	<u>(30,078)</u>
Net Cash Provided By (Used in) Investing Activities	<u>0</u>	<u>(30,078)</u>
Change in Cash and Cash Equivalents	117,426	(6,314)
Cash and Cash Equivalents, beginning of year	<u>1,719,920</u>	<u>1,726,234</u>
Cash and Cash Equivalents, end of year	<u><u>\$1,837,346</u></u>	<u><u>\$1,719,920</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 in accordance with the provisions of FASB ASC 958-605-05, *Accounting for Contributions Received and Contributions Made*, and FASB ASC 958-205-05, *Financial Statements of Not-for-Profit Organizations*.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the actions of the Board of Directors.

Temporarily restricted net assets – subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Directors or become unrestricted at the date specified by the donor.

Permanently restricted net assets – subject to donor-imposed stipulations that are to be maintained permanently.

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 temporarily restricted or permanently restricted support that increases the respective net asset classes.

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, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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. Supplies donated to the Red Apple Supply Store are not valued when received because of the uncertainty as to their value. Rather, the Foundation physically counts and values the items as of the end of the fiscal year and the net increase in the inventory is recorded as an in-kind contribution.

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. At June 30, 2018 and 2017, there were \$43,667 and \$37,238, respectively, of money market funds held in brokerage accounts which are included under the caption of cash and cash equivalents on the Foundation's statements of financial position and cash flows.

Contributions and Grants Receivable

The receipt by the Foundation of unconditional promises to give with payment amounts due in future periods are reported as temporarily or permanently restricted support. These receivables are deemed fully collectible.

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.

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.

Furniture and Equipment

Furniture and 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 5-10 years, the estimated useful lives of the depreciable assets.

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

Note 2- Summary of Significant Accounting Policies, continued

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.

Date of Management's Review

Management has evaluated subsequent events through January 8, 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, 2018, the Foundation had \$634,229 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.

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). All investments held at June 30, 2018 and 2017 were mutual funds with Level 1, quoted market prices of \$255,183 and \$246,453, respectively. 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.

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

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, 2018 amounted to \$17,798. Depreciation has been calculated using the straight-line method over the expected useful lives of the assets. Depreciation expense was \$9,902 and \$7,896, respectively, for the years ending June 30, 2018 and 2017.

Note 6- Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for use in the following programs:

	<u>2018</u>	<u>2017</u>
Red Apple Supply Store	\$ 558,513	\$ 361,750
Academic Improvement (AVID)	104,047	90,960
Professional Development & Training	94,124	119,523
Literacy Initiative	65,283	96,056
Classroom Grants/Go Teach	43,872	65,805
Dwyer Awards	36,547	57,185
Other	<u>0</u>	<u>77,864</u>
Total	<u>\$ 902,386</u>	<u>\$ 869,143</u>

During the years ended June 30, 2018 and 2017, there was \$1,125,630 and \$1,000,096, respectively, of temporarily restricted net assets released from donor restrictions.

Note 7- In-Kind Contributions and Contributed Services

The in-kind contributions and contributed services received by the Foundation are summarized below:

	<u>2018</u>	<u>2017</u>
Supplies inventory	\$ 463,966	\$ 253,897
Office space	12,000	12,000
Professional fees	10,000	21,282
Miscellaneous	<u>0</u>	<u>5,705</u>
Total	<u>\$ 485,966</u>	<u>\$ 292,884</u>

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

Note 8- Major Programs

Academic/Graduation Improvement/AVID (Advancement via Individual Determination)

This program's mission is to close the achievement gap by preparing all students for college readiness and success in a global society. AVID expanded to 44 schools and an AVID National Demonstration School which serves as a teaching and observation site for other districts and schools.

Career Education

This program supports the school district's Medical Academy Program, where students graduate with career certificates making them job ready in the healthcare field or prepared for post-secondary studies in pre-medicine. The Education Foundation also directly supports the Medical Academy at Boynton Beach Community High School.

Classroom resources and Supplies

Red Apple Supplies is a free school supply store for teachers providing critical supplies to students in the 31 highest-needs schools in the District.

Early Learning and School Readiness

This program includes Grow Up Great PBC, a collaborative STEAM effort in pre-K classrooms uniting Palm Beach State College, Palm Beach County Schools and the South Florida Science Museum.

Professional Development & Training

This program is a collaboration between the School District of Palm Beach County and the University of Central Florida to train educators in multi-sensory strategies to increase literacy in the primary grades. It also includes Go Teach! classroom grants which promote original, creative and innovative teaching methods.

Dwyer Awards

This traditional program is presented in partnership with the Economic Council of Palm Beach County and recognizes teachers for outstanding achievement and excellence as nominated by their peers.

Note 9- 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. These pass-through contributions totaled \$1,078,934 and \$900,273 for the years ending June 30, 2018 and 2017. The amounts of undisbursed pass-through contributions as of June 30, 2018 and 2017 were \$948,629 and \$924,703 and have been recorded as pass-through funds payable in the accompanying statements of financial position.