

**BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Broward Education Foundation, Inc. (the "Foundation"), a component unit of the School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Foundation as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

November 24, 2014

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Broward Education Foundation, Inc. (the "Foundation"), provides a narrative overview of the Foundation's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Foundation's Independent Auditor's Report, basic financial statements, and accompanying notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Foundation exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$8,174,544.
- The change in the Foundation's total net position in comparison with the prior fiscal year was \$246,884, an increase. The key components of the Foundation's net position and changes in net position are reflected in the table in the government-wide financial analysis section.
- At June 30, 2014, the Foundation's fund balance in governmental funds increased to \$8,174,544 from \$7,927,660 at June 30, 2013. Of the total fund balance: \$4,865,386 is restricted for future scholarships, \$1,131,354 is nonspendable for inventories and the remainder of \$2,177,804 is unassigned and available for spending at the Foundation's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net position presents information on all the Foundation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
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JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Governmental Funds

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

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

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

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

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

NET POSITION		JUNE 30,	
	2014	2013	
Assets, excluding capital assets	\$ 8,482,336	\$ 8,315,981	
Total assets	<u>8,482,336</u>	<u>8,315,981</u>	
Liabilities, excluding long-term liabilities	307,792	388,321	
Total liabilities	<u>307,792</u>	<u>388,321</u>	
Net position			
Restricted for:			
Expendable-scholarships	4,865,386	4,986,061	
Unrestricted	3,309,158	2,941,599	
Total net position	<u>\$ 8,174,544</u>	<u>\$ 7,927,660</u>	

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

The Foundation's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations.

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

CHANGES IN NET POSITION		FOR THE FISCAL YEARS ENDED JUNE 30,	
	2014	2013	
Revenues:			
Program revenues			
Charges for services	\$ 62,972	\$ 75,071	
Operating grants and contributions	2,577,458	2,327,953	
General revenues			
Unrestricted investment earnings	330,779	94,783	
Total revenues	<u>2,971,209</u>	<u>2,497,807</u>	
Expenses:			
General administration	231,455	626,091	
Scholarships and programs	2,492,870	2,126,362	
Total expenses	<u>2,724,325</u>	<u>2,752,453</u>	
Change in net position	<u>246,884</u>	<u>(254,646)</u>	
Net position - beginning	7,927,660	8,182,306	
Net position - ending	<u>\$ 8,174,544</u>	<u>\$ 7,927,660</u>	

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended June 30, 2014 was \$2,724,325. These costs were offset by program revenues consisting primarily of contributions. Expenses decreased slightly from the prior fiscal year principally from a decrease in general administration expense. Total revenues increased by \$473,402, or approximately 19%, principally from increases in in-kind donations of supplies for the Tools for Schools Resource Center and unrealized gains in the fair value of investments.

**BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
JUNE 30, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

BUDGETARY COMPARISON

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

CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT

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

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 126,424
Investments	2,276,999
Accounts receivable	82,173
Inventories	1,131,354
Prepaid scholarships	4,865,386
Total assets	<u>8,482,336</u>
 LIABILITIES	
Accounts payable and accrued expenses	<u>307,792</u>
Total liabilities	<u>307,792</u>
 NET POSITION	
Restricted for:	
Expendable - scholarships	4,865,386
Unrestricted	<u>3,309,158</u>
Total net position	<u><u>\$ 8,174,544</u></u>

See notes to the financial statements

**BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Component Unit Activities:				
General administration	\$ 231,455	\$ 62,972	\$ -	\$ (168,483)
Scholarships and programs	2,492,870	-	2,577,458	84,588
Total governmental activities	2,724,325	62,972	2,577,458	(83,895)
General revenues:				
Unrestricted investment earnings				330,779
Total general revenues				330,779
Change in net position				246,884
Net position - beginning				7,927,660
Net position - ending				\$ 8,174,544

See notes to the financial statements

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2014

	General Fund
ASSETS	
Cash and cash equivalents	\$ 126,424
Investments	2,276,999
Accounts receivable	82,173
Prepaid scholarships	4,865,386
Inventories	1,131,354
Total assets	\$ 8,482,336
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued expenses	\$ 307,792
Total liabilities	307,792
 Fund balances:	
Nonspendable - inventories	1,131,354
Restricted - scholarships	4,865,386
Unassigned	2,177,804
Total fund balances	8,174,544
 Total liabilities and fund balances	 \$ 8,482,336

See notes to the financial statements

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
REVENUES		
Contributions		
Brace Scholarship Program	\$ 306,240	\$ 306,240
Tools for School Broward		
School supplies/in-kind donations	720,828	720,828
Cash donations	206,270	206,270
Teacher Grant Program	328,843	328,843
Other	813,800	813,800
Prepaid scholarships match - FL Prepaid	201,477	201,477
Administrative fees	62,972	62,972
Investment income	4,632	4,632
Unrealized gain in fair value of investments	326,147	326,147
Total revenues	<u>2,971,209</u>	<u>2,971,209</u>
EXPENDITURES		
Current:		
General administration	231,455	231,455
Scholarships and programs		
Brace Scholarship Program	924,527	924,527
Tools for School Broward		
School supplies distributed/in-kind expenses	486,909	486,909
Payroll and miscellaneous	155,926	155,926
Teacher Grant Program	350,693	350,693
Other Programs	574,815	574,815
Total expenditures	<u>2,724,325</u>	<u>2,724,325</u>
Excess (deficiency) of revenues over (under) expenditures	246,884	246,884
Fund balance - beginning	<u>7,927,660</u>	<u>7,927,660</u>
Fund balances - ending	<u><u>\$ 8,174,544</u></u>	<u><u>\$ 8,174,544</u></u>

See notes to the financial statements

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
JUNE 30, 2014

ASSETS

Cash and cash equivalents	\$ 280,013
Investments	1,463,332
Receivables	16,617
Prepaid scholarships	157,351
Total assets	<u>\$ 1,917,313</u>

LIABILITIES

Due to other programs and schools	\$ 1,917,313
Total liabilities	<u>\$ 1,917,313</u>

See notes to the financial statements

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – ORGANIZATION

Broward Education Foundation, Inc. (the “Foundation” or “BEF”), 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 property and to make expenditures to enhance public education. The Foundation secures and distributes contributions from individuals, corporations and foundations. The Foundation also holds fiduciary funds for agencies supporting public education. These funds are used only for the intended purposes set up by these agencies.

The Foundation employs eight individuals: two are paid for by the district, two are paid through the District and the District is reimbursed by the Foundation, four are paid for by the Foundation.

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

Endowment Program

In 1996, the Foundation’s Board of Directors set a long-term goal to establish and grow an endowment program over the next 10 years. To start this fund, the Board voted to designate a portion of all funds raised for annual Foundation programs to the endowment program in the year the program was started. The Foundation Endowment Program was created to ensure that Broward County public school students and teachers will benefit from the Foundation’s programs in perpetuity. These funds will help to further students’ education and serve as an incentive for teachers to continue using their imagination and creativity to enhance classroom instruction. The objective of the Endowment is to maximize the funds available for grants and scholarships by achieving market interest rate returns on the Endowment’s investment principal without compromising the integrity and safety of the principal.

Broward Advisors for Continuing Education (BRACE) Scholarship Program

The BEF-BRACE Scholarship Program is an established program of the Foundation which awards last dollar scholarships to qualifying students who have exhausted all avenues for financial aid and still fall short of their monetary need to pursue a post-secondary education. Long-term education may include community college, university or vocational school. Student selection is based on un-met financial need. BRACE Advisors meet early in the summer and complete a complex screening process to determine this need based on factors such as awarded federal financial assistance, other scholarships, annual household income and more, to ensure these scholarships are awarded to the students who need it the most.

Teacher Grants

The Foundation offers grants to teachers for innovative curriculum projects. There are three types of grants: BEF grants for innovation, dissemination grants for teachers to share their curriculum with other teachers and adapter grants for teachers who want to implement other teacher’s award winning projects in their classroom.

Annually, the Foundation hosts a daylong event for teachers to showcase their innovative projects and learn from each other.

BROWARD EDUCATION FOUNDATION, INC.
A COMPONENT UNIT OF
THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – ORGANIZATION - Continued

Tools for School Broward Resource Center (formerly the Kids in Need Resource Center)

The Foundation opened the Tools for School Broward Resource Center, as part of a national program sponsored by the School, Home, and Office Products (SHOPA) Foundation for Educational Excellence. The program provides free school supplies and funding to aid students and teachers in low-income, underfunded schools.

Since its opening in January 2001, over 10,000 teachers have accessed the center which includes notebook paper, pens, pencils, computer software, and teacher supplies.

The Urban Teacher Academy Program (UTAP)

The Foundation awards scholarships and oversees grants for public high school graduates of the Urban Teacher Academy Program who wish to pursue a post-secondary education to become future educators. Funds for the program are generated through the District's annual Teacher of the Year Event and Payroll Deduction Program.

Broward Education Foundation Scholarship Program

The Foundation awards scholarships to students from undesignated funds accumulated by the Foundation through this program and includes certain donor designated funds for scholarships. The program started in fiscal year 2001.

State of Florida - School District Education Foundation Matching Grant Program

The State of Florida makes available to local education foundations grants based on student enrollment. The grants must be matched by private funding and support programs in math, science and technology (STEM), teaching quality, literacy, increasing graduation rates and low performing students.

Stanley Tate Florida Pre-Paid Scholarship Program

The State of Florida administers the Stanley Tate program which provides matching funds to qualified organizations that purchase Florida pre-paid scholarships for low income youth. The Foundation purchases these scholarships and awards them to qualified graduating seniors of Broward County public schools.

Education First - Payroll Deduction Program (Funding Source)

The Foundation administers a successful Payroll Deduction Program in the Broward County School District. Each department or school appoints a representative who is responsible for recruitment of pledges and forwarding responses to the Foundation. All proceeds from this program are allocated to the BRACE Scholarship Program, IMPACT II, the Teacher Fellowship Scholarship Program, and Tools for Schools Broward Resource Center.

License for Learning (Funding Source)

In 1994, the Florida Legislature approved the design and sale of education license plates, of which \$20 of each plate sold in Broward County benefits the Foundation directly. The funds are received from the State of Florida Department of Highway Safety and Motor Vehicles for the Foundation's programs. These funds are unrestricted in nature and the Foundation has the ability to utilize such funds for additional grants, scholarships and programs.

BROWARD EDUCATION FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – ORGANIZATION - Continued

Student Opportunities with Academic Rigor (SOAR)

The SOAR program aims to remove the barriers to learning and teaching and reengage disconnected students. SOAR consists of three initiatives: Saturday Success Program, Literacy & Math Learning Labs Afterschool Program, and the STEM Superstars Afterschool Program. The school improvement project delivers preventive academic interventions to promote healthy development with the intent of fostering intrinsic motivation to successfully transition from middle to high school and ensure college and career readiness.

Innovations for Learning

Innovations for Learning's TutorMate is a unique and exciting initiative that pairs volunteer tutors in the community with first grade public school students who need reading support. TutorMate's one-on-one tutoring model focuses on the ability level of each individual student. The grant will support efforts to recruit, train, match, and provide ongoing technical support for up to 600 community volunteers. Volunteers will be recruited through partnerships with area corporations and public institutions whose employees wish to engage in meaningful community service. Volunteers tutor at work, at their home office, or virtually anywhere there is an internet connection.

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.

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

BROWARD EDUCATION FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all highly liquid temporary investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories consist of school supplies, located at the Tools for School Resource center and School District warehouse, which were donated throughout the fiscal year. Inventories are stated at retail value, as determined on a first-in first-out basis. Inventory is accounted for under the consumption method.

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 are stated at fair value. The Foundation’s investment policy mix for the Endowment account is as follows:

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

BROWARD EDUCATION FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments - Continued

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 actual compliance with policy in Note 3 – Cash, Deposits, and Investments.

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 currently has minimal depreciable capital assets. See Note 4 for additional details.

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, facilities and personal services to the Foundation, which includes a President/Chief Executive Officer. The value of contributed personnel services and contributed space are reported as other contributions and general and administrative expense, and have been recorded based on an agreement between the Foundation and the District.

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.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Foundation has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Foundation has no items that qualify for reporting in this category.

Fund Equity/Net Position

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

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

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Directors. Commitments may be changed or lifted only by the Board of Directors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

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

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

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

NOTE 3 – CASH, DEPOSITS AND INVESTMENTS

At June 30, 2014, the Foundation maintained cash balances (including agency funds) of \$334,062 in a qualified depository account at Citibank, N.A. 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.

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NOTE 3 – CASH, DEPOSITS AND INVESTMENTS - Continued

The Foundation's remaining cash balances are in deposit and money market accounts at Morgan Stanley Smith Barney. The bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2014, the bank balance was \$72,375.

In addition, as of June 30, 2014, the Foundation had the following investments and cash and cash equivalents and includes those held on behalf of the agency fund:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
iShares (Fixed income funds)	\$ 241,813	Weighted Average Maturity (W.A.M.) 4.73 to 11.32 years	S&P Caa to Aaa
iShares (Equity funds)	440,606	Not applicable	Not applicable
iShares (Alternative funds)	57,053	Not applicable	Not applicable
SPDR (Fixed income funds)	147,360	W.A.M. 13.3 years	S&P Baa to Aaa
Vanguard (Equity funds)	280,865	Not applicable	Not applicable
Vanguard (Alternative funds)	57,927	Not applicable	Not applicable
Wisdomtree (Alternative funds)	56,599	Not applicable	Not applicable
Wisdomtree (Equity funds)	209,238	Not applicable	Not applicable
Blackrock (Fixed income mutual funds)	412,758	W.A.M. 8.45 years	S&P BB to AAA
Center Coast (Equity funds)	89,959	Not applicable	Not applicable
Diamond Hill (Equity mutual funds)	102,061	Not applicable	Not applicable
Goldman Sachs (Alternative mutual funds)	101,038	Not applicable	Not applicable
Lord Abbett (Fixed income mutual funds)	269,037	W.A.M. 2.6 years	S&P BBB to AAA
Virtus (Equity funds)	181,505	Not applicable	Not applicable
		W.A.M. .76 to 7.6 years	
PIMCO (Fixed income funds)	<u>1,092,512</u>		S&P CCC+ to AAA
Total investments	3,740,331		
Cash and cash equivalents	<u>72,375</u>		
Total investments, cash and cash equivalents	<u><u>\$ 3,812,706</u></u>		

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NOTE 3 – CASH, DEPOSITS AND INVESTMENTS - Continued

Compliance with the investment policy is reflected in the following table:

<u>Asset Class - Endowment Fund</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual</u>	
				<u>Asset Total</u>	<u>Allocation</u>
Equity Investments	25%	35%	45%	\$ 1,304,234	45%
Fixed Income	40%	53%	65%	1,268,599	44%
Alternatives	0%	10%	20%	272,617	9%
Cash Equivalents	0%	2%	30%	64,557	2%
				2,910,007	100%

Short Term Investment Fund

Cash Equivalents	7,818
Ultra Short Term Fixed Income Mutual Funds	894,881
	902,699
Total Endowment and Short-Term Investment Funds	\$ 3,812,706

Reconciliation to the financial statements

Cash - governmental fund (included in balance at page 9)	\$ 44,137
Cash - fiduciary fund (included in balance at page 11)	28,238
Investments - governmental fund (see page 9)	2,276,999
Investments - fiduciary fund (see page 11)	1,463,332
	\$ 3,812,706

The Foundation's investments are subject to certain risks which have the potential to result in a decline in the value of the investments. In addition, for fixed income securities, the values listed above are representative values and may not reflect the value that could be obtained in the market.

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 their 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 4 – RELATED PARTY TRANSACTIONS

As stated in Note 2, the District pays salaries and contributes operating space, and supplies for the Foundation. For the fiscal year ended June 30, 2014, the amount contributed for such items was \$225,959. In addition, the District contributes the use of office equipment, furniture and fixtures.

The District pays the salaries of two employees and is reimbursed by the Foundation. For the fiscal year ended June 30, 2014, the salaries totaled \$153,400, all of which is due at year end and recorded as a liability on the financial statements. The total amount owed to the School District at June 30, 2014 for salaries is \$294,877.

The Foundation opened the Tools for School Broward Resource Center in the prior fiscal year. The District pays the rent for the facility of \$5,026 per month.

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NOTE 5 – 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 6 – 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.

NOTE 7 – 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 2013, 2012, and 2011 are subject to examination by the IRS, generally for three years after they were filed.



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, 2014, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 24, 2014.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In the accompanying schedule of findings we have reported the status of findings that were reported in prior fiscal years.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 24, 2014

SCHEDULE OF FINDINGS

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS

Scholarship Compliance 2011-01 & 02, 2012-01 & 02, 2013-01

Current Status - Matter deemed resolved and will not be repeated.