

**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, 2016**

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**JUNE 30, 2016**

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## **INDEPENDENT AUDITORS' 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, 2016, 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, 2016, 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 September 23, 2016, 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.

September 23, 2016

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

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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, 2016. 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 \$8,158,283

The change in the Foundation's total net position in comparison with the prior fiscal year was (\$188,557), a decrease. 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, 2016, the Foundation's fund balance in governmental funds decreased to \$8,158,283 from \$8,346,840 at June 30, 2015. Of the total fund balance: \$4,281,263 is restricted for future scholarships, \$1,566,559 is nonspendable for inventories, \$179,888 is for capital assets and the remainder of \$2,130,573 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.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

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**OVERVIEW OF FINANCIAL STATEMENTS – (cont'd)**

**Government-Wide Financial Statements (cont'd)**

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.

**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.

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

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**OVERVIEW OF FINANCIAL STATEMENTS – (cont'd)**

**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.

Key components of the Foundation's net position are reflected in the following table. During the fiscal year the Foundation purchased a building for approximately \$845,000 including a mortgage of approximately \$645,000.

<b>NET POSITION</b>		
<b>JUNE 30,</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>
Assets, including capital assets	<u>\$ 9,170,747</u>	<u>\$ 8,694,842</u>
Total assets	<u>9,170,747</u>	<u>8,694,842</u>
Liabilities, including long-term liabilities	<u>1,012,464</u>	<u>348,002</u>
Total liabilities	<u>1,012,464</u>	<u>348,002</u>
<b>Net position</b>		
Restricted for:		
Expendable-scholarships	4,281,263	4,424,324
Net investment in capital assets	179,888	-
Unrestricted	<u>3,697,132</u>	<u>3,922,516</u>
Total net position	<u>\$ 8,158,283</u>	<u>\$ 8,346,840</u>

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS – (cont'd)**

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 decreased during the most recent fiscal year. The majority of the decrease represents the extent to which ongoing program revenues did not fully satisfy the cost of operations.

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

<b>CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30,</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 68,424	\$ 60,381
Operating grants and contributions	3,117,485	3,358,320
General revenues:		
Unrestricted investment earnings	<u>(29,222)</u>	<u>45,992</u>
Total revenues	<u>3,156,687</u>	<u>3,464,693</u>
<b>Expenses:</b>		
General administration	545,774	383,690
Scholarships and programs	2,789,276	2,908,707
Interest on long-term debt	<u>10,194</u>	<u>-</u>
Total expenses	<u>3,345,244</u>	<u>3,292,397</u>
Change in net position	(188,557)	172,296
Net position – beginning	<u>8,346,840</u>	<u>8,174,544</u>
Net position – ending	<u>\$ 8,158,283</u>	<u>\$ 8,346,840</u>

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As noted above and in the statement of activities, the cost of all foundation activities during the fiscal year ended June 30, 2016 was \$3,345,224. These costs were offset by program revenues consisting primarily of contributions. The deficit is mainly comprised of unbudgeted costs associated with the acquisition of the K C Wright statue totaling approximately \$110,000 from donor restricted funds, operating costs of the new building acquisition of \$20,000 for depreciation and interest expense, as well as \$65,000 of expenditures from previously dormant accounts during the current fiscal period.

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

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**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 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, 1<sup>st</sup> 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, 2016**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,308
Investments	2,336,689
Accounts receivable	129,387
Inventories	1,566,559
Prepaid scholarships	4,281,263
<b>Capital Assets:</b>	
Depreciable:	
Buildings and improvements	845,226
Accumulated depreciation	<u>(9,685)</u>
Total assets	<u><u>\$ 9,170,747</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 356,811
<b>Long-Term Liabilities:</b>	
Portion due or payable within one year:	
Loans payable	14,623
Portion due or payable after one year:	
Loans payable	<u>641,030</u>
Total liabilities	<u><u>1,012,464</u></u>
<b>NET POSITION</b>	
Restricted for:	
Expendable - scholarships	4,281,263
Net investment in capital assets	179,888
Unrestricted	<u>3,697,132</u>
Total net position	<u><u>\$ 8,158,283</u></u>

The accompanying notes are an integral part of these 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, 2016**

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<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
<b>Component Unit Activities:</b>				
General administration	\$ 545,774	\$ 68,424	\$ -	\$ (477,350)
Scholarships and programs	2,789,276	-	3,117,485	328,209
Interest on long-term debt	<u>10,194</u>	<u>-</u>	<u>-</u>	<u>(10,194)</u>
Total governmental activities	<u>\$ 3,345,244</u>	<u>\$ 68,424</u>	<u>\$ 3,117,485</u>	<u>(159,335)</u>
<b>General revenues:</b>				
Unrestricted investment loss				<u>(29,222)</u>
Total general revenues				<u>(29,222)</u>
Change in net position				(188,557)
Net position - beginning				<u>8,346,840</u>
Net position - ending				<u>\$ 8,158,283</u>

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

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**BALANCE SHEET – GOVERNMENTAL FUND**  
**JUNE 30, 2016**

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,308
Investments	2,336,689
Accounts receivable	129,387
Prepaid scholarships	4,281,263
Inventories	<u>1,566,559</u>
Total assets	<u>\$ 8,335,206</u>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Accounts payable and accrued expenses	<u>\$ 356,811</u>
Total liabilities	<u>356,811</u>
<b>Fund balances:</b>	
Nonspendable - inventories	1,566,559
Restricted - scholarships	4,281,263
Unassigned	<u>2,130,573</u>
Total fund balances	<u>7,978,395</u>
Total liabilities and fund balances	<u>\$ 8,335,206</u>

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

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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Fund balance -Total government funds \$ 7,978,395

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.

**Capital Assets:**

Depreciable:

Buildings and improvements	845,226	
Accumulated depreciation	<u>(9,685)</u>	835,541

Long-term liabilities, including loans payable are not due and payable in the current period and, therefore, are reported as liabilities in governmental funds.

**Long-Term Liabilities:**

Portion due or payable within one year:

Loans payable	(14,623)	
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Portion due or payable after one year:

Loans payable	<u>(641,030)</u>	<u>(655,653)</u>
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Net position of governmental activities \$ 8,158,283

The accompanying notes are an integral part of these 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, 2016**

	<u>Major Governmental General Fund</u>
<b>REVENUES</b>	
<b>Contributions:</b>	
Scholarship Program	\$ 284,770
Tools for Schools Broward:	
School supplies/in-kind donations	1,034,359
Other donations	444,594
Innovative Teaching Program	865,223
Other	480,490
Administrative fees	68,424
Investment income	8,049
Unrealized loss in fair value of investments	<u>(29,222)</u>
Total revenues	<u>3,156,687</u>
<b>EXPENDITURES</b>	
<b>Current:</b>	
General administration	545,774
Scholarships and programs	
Scholarship Program	352,874
Tools for Schools Broward:	
School supplies distributed/in-kind expenditures	1,020,338
Other expenditures	396,642
Innovative Teaching Program	575,833
Other programs	443,589
Net capital outlay	835,541
Debt Service:	
Principal	6,347
Interest	<u>10,194</u>
Total expenditures	<u>4,187,132</u>
Deficiency of revenues over expenditures	(1,030,445)
<b>OTHER FINANCING SOURCES</b>	
Loan proceeds	<u>662,000</u>
Total other financing sources	<u>662,000</u>
Net Change in fund balance	(368,445)
Fund balance - beginning	<u>8,346,840</u>
Fund balances - ending	<u>\$ 7,978,395</u>

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

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND-BALANCES-GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Net change in fund balances - Total governmental fund \$ (368,445)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Capital outlay	845,226	
Depreciation expense	<u>(9,685)</u>	835,541

The issuance of long-term debt is reported as other financing sources in the governmental funds and thus, increases fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Principal payments	6,347	
Proceeds from loan	<u>(662,000)</u>	<u>(655,653)</u>

Change in net position of governmental activities \$ (188,557)

The accompanying notes are an integral part of these 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, 2016**

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**ASSETS**

Cash and cash equivalents	\$ 199,152
Investments	1,378,622
Receivables	1,617
Prepaid scholarships	<u>154,586</u>
Total assets	<u>\$ 1,733,977</u>

**LIABILITIES**

Due to other programs and schools	<u>\$ 1,733,977</u>
Total liabilities	<u>\$ 1,733,977</u>

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

**BROWARD EDUCATION FOUNDATION, INC.**  
**A COMPONENT UNIT OF**  
**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**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 nine individuals: two are paid for by the district, two are paid through the District and the District is reimbursed by the Foundation, five are paid for by the Foundation.

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

**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.

**Innovative Teaching Program (formerly the Teacher Grant Program)**

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.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**Note 1 - Organization (cont'd)**

*Tools for Schools 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.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**Note 1 - Organization (cont'd)**

*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.

*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.

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**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.

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

**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.

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

**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 long term investment account is as follows:

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

The Foundation's investment policy for the short term investment fund is that the funds be invested in any of the following security types:

- 1) Securities issued by the U.S. Government and its Agencies and Instrumentalities
- 2) Commercial Paper
- 3) Money Market Mutual Funds
- 4) Certificates of Deposit
- 5) Bankers Acceptances Notes and Repurchase Agreements
- 6) Short-duration Corporate Fixed Income Instruments
- 7) Ultra-Short Term Fixed Income Mutual or Exchange Traded Funds investing in the above security types.

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

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

**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. On January 15, 2016 The Foundation acquired a building to serve as a warehouse and storage for its "Tools for Schools Broward" program. The building is currently being depreciated over 40 years.

Capital assets of the Foundation are depreciated using the straight line method over the following useful lives:

Buildings	20–50 years
Improvements	15–40 years
Machinery and equipment	3–20 years

**Contributions**

Contributions received are recognized as revenue when the donor's commitment is received unless amounts are restricted for a subsequent period.

**Donated Services**

A substantial number of board members and volunteers have donated significant amounts of their time and in-kind services in the Foundation's program services and fund-raising campaigns. However, no amounts have been reflected in the financial statements for these donated services in as much as no objective basis is available to measure the value of such services.

The District permits the use of property, 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.

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

**Prepaid Scholarships**

Unused scholarships purchased by the Foundation under the Florida Prepaid Program or through Broward College are recorded as prepaid scholarships. Some of the scholarships are assigned to be given to the students under a conditional promise by the Foundation. These promises are conditioned on the student enrolling in a qualified institution within a certain time period. Failure to comply results in forfeiture of the scholarship back to the Foundation. The scholarships purchased are in most cases matched, dollar for dollar, by the State. As the cost of tuition increases, the value of purchased credit hours is increased at each fiscal year-end.

The resulting increase is recorded as income in the period in which the scholarship hours are revalued. This increase in the value of credit hours is available to the assigned students, but does not revert to the Foundation, should the contracts be refunded to the Foundation or cancelled by the Florida Prepaid Program. However, if the Foundation reassigns the credit hours, the increase in value of the Scholarship stays with the Foundation.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as expenditure, the foundation obtained a loan to purchase a warehouse for its tools for school loan. The loan is payable in 10 years and carries a 5.25% fixed interest rate.

**Fund Balance/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.

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

**Fund Balance/Net Position (cont'd)**

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 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, 2016, the Foundation maintained cash balances (including agency funds) of \$199,152 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.

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, 2016, the bank balance was \$56,672.

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**Note 3 - Cash, Deposits and Investments (cont'd)**

In addition, as of June 30, 2016, the Foundation had the following investments and cash and cash equivalents which includes those held on behalf of the agency fund:

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	<u>FAIR VALUE</u>	<u>MATURITY</u> Weighted Average Maturity (W.A.M.)	<u>RATING</u>
iShares (Fixed income funds)	\$ 605,575	8.65 to 13.07 years	AA to AAA
iShares (Equity funds)	937,028	Not applicable	Not applicable
SPDR (Fixed income funds)	58,369	13.59 years	AAA
AC Alternatives (Alternative funds)	105,356	Not applicable	Not applicable
Oppenheimer Steel Path (Alternative funds)	100,690	Not applicable	Not applicable
Blackrock (Fixed income mutual funds)	403,514	6.75 years	AA
Deutsche MSCI (Equity funds)	132,300	Not applicable	Not applicable
Lord Abbett (Fixed income mutual funds)	205,089	1.9 years	BBB
Virtus (Equity funds)	122,319	Not applicable	Not applicable
PIMCO (Fixed income funds)	<u>988,400</u>	.99 to 2.61 years	BBB to A
Total investments	3,658,639		
Cash and cash equivalents	<u>56,672</u>		
Total investments, cash and cash equivalents	<u>\$ 3,715,311</u>		

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**Note 3 - Cash, Deposits and Investments (cont'd)**

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

<b><u>Long Term Investment Fund</u></b>			<b><u>Actual</u></b>		
<b><u>Asset Class</u></b>	<b><u>Minimum</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>	<b><u>Asset Total</u></b>	<b><u>Allocation</u></b>
Equity investments	25%	35%	45%	\$ 1,191,646	42%
Fixed income	40%	53%	65%	1,356,675	48%
Alternatives	0%	10%	20%	206,046	7%
Cash equivalents	0%	2%	30%	<u>55,892</u>	<u>3%</u>
Total Endowment Investment Funds				<u>2,810,259</u>	<u>100%</u>
<b><u>Short Term Investment Fund</u></b>					
Cash equivalents				780	
Ultra short term fixed income mutual funds				<u>904,272</u>	
Total short-term investment funds				<u>905,052</u>	
Total investment funds				<u>3,715,311</u>	
Operating cash in checking and money market accounts				<u>220,460</u>	
Total cash and investments (governmental and fiduciary fund)				<u>\$ 3,935,771</u>	
<b><u>Reconciliation to the financial statements</u></b>					
Cash - governmental fund (see page 10)				\$ 21,308	
Cash - fiduciary fund (see page 14)				199,152	
Investments - governmental fund (see page 10)				2,336,689	
Investments - fiduciary fund (see page 14)				<u>1,378,622</u>	
Total cash and investments				<u>\$ 3,935,771</u>	

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.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**Note 3 - Cash, Deposits and Investments (cont'd)**

*Interest rate risk.* The Foundation's investment policy does not limit the maturity of fixed income investments. The Foundation manages the risk by monitoring its investments in relation to the economic environment, and adjusting its holdings to prevent any loss in principal.

*Credit risk.* The Foundation's investment policy requires each portfolio type to maintain certain weighted average credit rating by Standard and Poor's and Moody's.

*Concentration of credit risk.* The Foundation investment policy limits the amount that can be invested in a single investment to no more than five percent of the Foundation's total portfolio.

**Note 4 - Related Party Transactions**

As stated in Note 2, the District pays salaries and contributes operating space, and supplies for the Foundation. Additionally, the District reimburses the Foundation for the expense of a contractor. The cost of the contractor has not been received but the Foundation believes it will collect it from the District. For the fiscal year ended June 30, 2016, the amount contributed for such items was \$263,363. In addition, the District contributes the use of office equipment, furniture and fixtures. Those amounts are recorded as revenues and corresponding expenditures as follows on the statement of revenues, expenditures, and changes in fund balances:

	<b>Scholarship Program Revenues and Expenditures</b>	<b>Tools For Schools Broward Other Revenues and Expenditures</b>	<b>Innovative Teaching Program Revenues and Expenditures</b>	<b>Other Revenues and General Administration Expenditures</b>	<b>Other Revenues and Other Program Expenditures</b>	<b>Totals</b>
In-kind utilities and facilities	\$ -	\$ 33,366	\$ -	\$ 17,176	\$ -	\$ 50,542
In-kind salaries and benefits	20,316	8,126	5,418	101,781	-	135,641
Contractor reimbursement	-	-	-	48,789	-	48,789
Rent Payment	<u>-</u>	<u>28,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,391</u>
Totals	<u>\$ 20,316</u>	<u>\$ 69,883</u>	<u>\$ 5,418</u>	<u>\$ 167,746</u>	<u>\$ -</u>	<u>\$ 263,363</u>

**BROWARD EDUCATION FOUNDATION, INC.**  
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**Note 4 - Related Party Transactions (cont'd)**

The District pays rent of \$5,562 per month for the Tools for Schools Broward Resource Center which is included in the schedule above. The Foundation only recognized six months of lease due to the purchase of the foundation purchase of the new building. After, the purchase of the building the District paid the Foundation approximately five months of rent payment amounting to \$28,000.

The District pays the salaries of two employees and is reimbursed by the Foundation. For the fiscal year ended June 30, 2016, the salaries totaled \$161,000, 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, 2016 for salaries is \$282,000 which consists of the following:

<b>Fiscal Year Reimbursement Outstanding at June 30, 2016</b>	
2016	\$ 160,775
2015	<u>121,646</u>
Total	<u>\$ 282,421</u>

**Note 5 - Capital Assets**

Capital asset activity for the Foundation for the year ended June 30, 2016 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental activities:</b>					
Capital assets, being depreciated	<u>\$ 845,226</u>	<u>\$ -</u>	<u>\$ (9,685)</u>	<u>\$ -</u>	<u>\$ 835,541</u>
Total	<u>\$ 845,226</u>	<u>\$ -</u>	<u>\$ (9,685)</u>	<u>\$ -</u>	<u>\$ 835,541</u>

**BROWARD EDUCATION FOUNDATION, INC.**  
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**Note 6 - Long-Term Debt Notes Payable**

During January 2016, the Foundation entered into an agreement through a financial institution to borrow \$662,000 for the purchase of warehouse building for the Tools for School program. Monthly payments of \$3,997, including interest at a rate of 5.25% began in February 2016 and will continue through February 2026. The debt service requirements to maturity are as follows:

<b>Fiscal period Ending June 30,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 14,623	\$ 33,339	\$ 47,962
2018	14,636	33,325	47,961
2019	15,424	32,537	47,962
2020	16,254	31,708	47,962
2021	17,128	30,834	47,962
2022-2026	<u>577,588</u>	<u>139,800</u>	<u>717,388</u>
	<u>\$ 655,653</u>	<u>\$ 301,542</u>	<u>\$ 957,195</u>

**Note 7 - 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 8 - 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 9 - 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 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

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**Note 10 - Subsequent Events**

The District was audited by the Florida Auditor General for the fiscal year ending June 30, 2015. The audit included a finding questioning payments made by the District to or on behalf of the Foundation of approximately \$638,000 during the 2012-13, 2013-14, and 2014-15 fiscal years totaling \$217,111, \$199,006, and \$221,488, respectively for accounting consulting services, lease payments, and the salary of the Foundation's Chief Executive Officer/President. The finding stated "that although the Foundation may use the Board's property, facilities and personal services, we are unaware of any specific statutory authority permitting the District to make payments to the Foundation." The District stated that it had discontinued the payments for the lease of the Tools for Schools Broward building (which terminated June 30, 2016 in any case), and that it would consult with the BEF Executive Board to determine the best way forward. BEF disagrees with the finding, both in the interpretation of the statute and several of the specific components of the finding. In addition, the Foundation obtained a legal opinion regarding the interpretation of the statute supporting the Foundation's positions. Lastly, the District has indicated that it does not intend to require reimbursement from BEF for the amounts noted in the Auditor General finding.

**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, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 23, 2016.

**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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Significant deficiencies are described in Section I of the accompanying Schedule of Findings and Questioned Costs. 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*.

**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.

September 23, 2016

**BROWARD EDUCATION FOUNDATION, INC.**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

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**Section I – Significant Deficiency**

**2016-01 Physical Inventory**

**Condition**

There is not a proper segregation of duties surrounding the physical inventory count process.

**Cause of Condition**

During the annual inventory count, we observed that the inventory count was being conducted by the same person responsible for inventory custody and related functions of purchasing and receiving.

**Potential Effect of Condition**

Misappropriation of assets, inaccurate inventory counts.

**Recommendation**

Employees responsible for these functions might have biased interests in the results of physical counts. We therefore recommend that they not be responsible for physical inventory procedures. We recommend that the Foundation outsource the annual inventory count or provide a third party independent resource to assist with the oversight of inventories.

**Client Response**

We agree with this finding and will re-evaluate the procedures to enhance the control environment.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
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**Section I – Significant Deficiency (cont'd)**

**2016-02 Pledges Receivables Schedule**

**Condition**

The Pledges receivable schedule at year end did not agree with the General Ledger amount by approximately \$427,000.

**Cause of Condition**

The Pledges receivable schedule is maintained in excel by the Administration Department and the schedule is not sent to the Accounting Department on a regular basis.

**Potential Effect of Condition**

Overstatement of accounts receivable and misappropriation of assets.

**Recommendation**

We recommend, a reconciliation of pledges receivable from the general ledger to the accounts receivable detail ledger should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to, or write-offs of, accounts receivable have been approved.

**Client Response**

We agree with the finding and have acquired the fundraising module of our accounting software which will integrate general ledger and subsidiary record activity.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

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**Section I – Significant Deficiency (cont’d)**

**2016-03 District-Related Party Due (Salaried Employees)**

**Condition**

BEF’s liability to the District is in arrears.

**Cause of Condition**

BEF’s liability to the District for expenses paid for salaried employees has to be paid at year end. Currently, the following was due as of 6/30/2016.

<b>Fiscal Year Reimbursement Outstanding at June 30, 2016</b>	
2016	\$ 160,775
2015	<u>121,646</u>
Total	<u>\$ 282,421</u>

**Potential Effect of Condition**

Increased liability, noncompliance.

**Recommendation**

Develop a payment plan to ensure the liabilities are paid within the specified time.

**Client Response**

We agree with the finding and have begun the process of integrating the budget and accounts payable modules of our financial accounting software to allow the Foundation to better manage cash flow and schedule repayment of this balance due.

**BROWARD EDUCATION FOUNDATION, INC.**  
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**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

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**Section II – Other Matters**

**2016-04 Bank Reconciliations**

**Condition**

Policies and Procedures governing bank reconciliations are not being followed.

**Cause of Condition**

Per the Bank reconciliations policies and procedures the following two controls were tested and deviations were found, Excerpt:

1. “The reconciliation of Commercial Checking Account and Money Market and Investment Accounts are done by the Financial Assistant and reviewed by the President/CEO. Accounts are required to be reconciled within 15 days of receipts.” Out of a sample of 3 accounts and 4 months of reconciliations reviewed, there was no indication of CEO review of bank reconciliation.
2. “Foundation bank statements are reviewed and initialed, monthly, by the president/CEO and, at will, by the Board Treasurer.” Out of a sample of 3 accounts and 4 months of reconciliations reviewed, there was no indication CEO review.

**Potential Effect of Condition**

Misappropriation of assets.

**Recommendation**

We recommend that the reconciliations be signed as an indication of approval. Doing so would take little additional time. We also recommend that the reconciliations be signed and dated by employees preparing them. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

**Client Response**

We agree with this finding and will re-evaluate the procedures to enhance the control environment.