

Financial Statements
and Other Reports

Florida Education Foundation, Inc.

*Years ended June 30, 2020 and 2019
with Report of Independent Auditors*



Florida Education Foundation, Inc.

Financial Statements
and Other Reports

Years ended June 30, 2020 and 2019

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Report of Independent Auditors

Board of Directors
Florida Education Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Education Foundation, Inc. (the Foundation) which comprise the statements of net position as of June 30, 2020 and 2019, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Education Foundation, Inc., as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years 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 on pages 3 through 6 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 audits 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 January 7, 2021 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 solely 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 the effectiveness of the Foundation's 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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
January 7, 2021

Florida Education Foundation, Inc.

Management's Discussion and Analysis

Year ended June 30, 2020

The Florida Education Foundation, Inc. (the Foundation) is a not-for-profit direct-support organization for the Florida Department of Education (FDOE) under Florida Statute 1001.24.

The Foundation's management's discussion and analysis of the financial performance provides an overview of the Foundation's financial activities for the fiscal year ended June 30, 2020. Please read it with current year financial statements, which follow this section. We are not engaged in Governmental Activities as reflected in GASB Statement No. 34. The financial statements are presented as a special purpose government engaged only as a direct-support organization for a number of funds that support public education programs.

The following condensed financial highlights and statements as presented in management's discussion and analysis includes activities of the Foundation's one agency fund. These amounts are reclassified and presented as cash held for others and the offsetting liability in the audited financial statements.

The following are various financial highlights for the fiscal year 2020:

The Foundation's overall net position decreased by \$921,011, which is approximately a 15% decrease. The assets of the Foundation are reported in twenty-nine self-balancing funds. Total ending net position was \$5,271,670.

The Foundation had total expenses for the year of \$2,809,468 compared to total revenues of \$1,896,082.

Financial position has declined over the current year. Below are several factors that caused the impact:

- Operating revenue overall this year increased by 30% compared to the prior year. A majority of the contribution revenue that decreased is primarily due to a one time grant from the Bill & Melinda Gates Foundation that supported the Florida District Charter Compact Collaboration. The grant ended in the current year.
- Operating expenses overall this year increased by 13% compared to the prior year. A majority of the expense are expenditures for the one time grant from the Bill & Melinda Gates Foundation that supported the Florida District Charter Compact Collaboration received last year. Expenses after removing those expenditures are flat compared to last year.
- Overall there is increase in investments, including money market funds. Although interest and dividends increased by 63%, realized and unrealized gains decreased 123% and 1,172%, respectively. The Foundation hired new investment advisors in June 2019 to manage the investments and are closely monitoring the income.

Florida Education Foundation, Inc.

Management's Discussion and Analysis

Year ended June 30, 2020

- The Foundation continues to have a high net position which allows it to spend a substantial portion of its resources and cash on the twenty-nine restricted and unrestricted funds that support programs and projects for the Florida Department of Education. Those initiatives are intended to support state efforts to improve high achievement for every student to contribute to Florida's globally competitive workforce.

Overview of the Basic Financial Statements

This annual report contains financial statements that report the Foundation's activities as twenty-nine self-balancing funds financial statements.

Florida Education Foundation, Inc.
Management's Discussion and Analysis

Condensed Statements of Net Position

	Years ended June 30,			Change	Change
	2020	2019	2018	2019-2020	2018-2019
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,328,074	\$ 2,578,494	\$ 3,307,285	\$ (1,250,420)	\$ (728,791)
Prepaid expense	-	68,173	13,025	(68,173)	55,148
Accounts receivable	293	25,000	7,500	(24,707)	17,500
Total current assets	<u>1,328,367</u>	<u>2,671,667</u>	<u>3,327,810</u>	<u>(1,343,300)</u>	<u>(656,143)</u>
Investments	1,730,803	811,581	735,821	919,222	75,760
Cash - board designated	84,598	514,923	52,801	(430,325)	462,122
Investments - board designated	3,266,268	3,008,449	3,346,138	257,819	(337,689)
Total assets	<u>\$ 6,410,036</u>	<u>\$ 7,006,620</u>	<u>\$ 7,462,570</u>	<u>\$ (596,584)</u>	<u>\$ (455,950)</u>
Liabilities					
Current liabilities					
Unearned revenue	\$ 792,642	\$ 369,943	\$ 354,718	\$ 422,699	\$ 15,225
Accounts payable	345,724	443,996	48,666	(98,272)	395,330
Total current liabilities	<u>1,138,366</u>	<u>813,939</u>	<u>403,384</u>	<u>324,427</u>	<u>410,555</u>
Net position					
Unrestricted	635,280	430,387	355,923	204,893	74,464
Board designated	3,350,867	3,523,372	3,398,939	(172,505)	124,433
Restricted	1,285,523	2,238,922	3,304,324	(953,399)	(1,065,402)
Total net position	<u>5,271,670</u>	<u>6,192,681</u>	<u>7,059,186</u>	<u>(921,011)</u>	<u>(866,505)</u>
Total liabilities and net position	<u>\$ 6,410,036</u>	<u>\$ 7,006,620</u>	<u>\$ 7,462,570</u>	<u>\$ (596,584)</u>	<u>\$ (455,950)</u>

Florida Education Foundation, Inc.
Management's Discussion and Analysis

Condensed Statements of Revenues, Expenses and Changes in Net Position
(Prior to Interfund Eliminations)

	Years ended June 30,				
	2020	2019	2018	Change 2019-2020	Change 2018-2019
Changes in net position					
Operating revenues:					
Contribution revenue	\$ 769,694	\$ 520,351	\$ 483,420	\$ 249,343	\$ 36,931
Program revenue	504,722	511,000	345,530	(6,278)	165,470
In-kind contributions	241,121	140,713	136,919	100,408	3,794
Grant revenue	296,892	250,000	1,272,000	46,892	(1,022,000)
Administrative fees	80,951	37,315	94,424	43,636	(57,109)
Miscellaneous income	2,702	-	-	2,702	-
Total operating revenues	<u>1,896,082</u>	<u>1,459,379</u>	<u>2,332,293</u>	<u>436,703</u>	<u>(872,914)</u>
Operating expenses:					
Grants	1,564,671	1,055,984	95,602	508,687	960,382
Administrative fees	80,951	37,315	94,424	43,636	(57,109)
Advertising	16,093	2,732	5,910	13,361	(3,178)
Meetings	435,868	755,257	390,140	(319,389)	365,117
Program materials	113,746	293,893	92,337	(180,147)	201,556
Professional fees	295,045	85,359	704,126	209,686	(618,767)
Supplies and postage	14,813	77,898	73,544	(63,085)	4,354
Travel	20,779	20,612	54,761	167	(34,149)
Printing and publication	14,914	12,092	7,621	2,822	4,471
Salaries and benefits	241,121	140,713	136,919	100,408	3,794
Miscellaneous	11,467	14,631	10,242	(3,164)	4,389
Total operating expenses	<u>2,809,468</u>	<u>2,496,486</u>	<u>1,665,626</u>	<u>312,982</u>	<u>830,860</u>
Operating (loss) income	(913,386)	(1,037,107)	666,667	123,721	(1,703,774)
Non-operating revenues:					
Interest income, net of fees	140,293	82,106	51,434	58,187	30,672
Realized (loss) gain on investment	(17,942)	76,373	103,949	(94,315)	(27,576)
Unrealized (loss) gain on investment	(129,976)	12,123	143,694	(142,099)	(131,571)
Total non-operating revenues	<u>(7,625)</u>	<u>170,602</u>	<u>299,077</u>	<u>(178,227)</u>	<u>(128,475)</u>
Change in net position	(921,011)	(866,505)	965,744	(54,506)	(1,832,249)
Net position at beginning of year	<u>6,192,681</u>	<u>7,059,186</u>	<u>6,093,442</u>	<u>(866,505)</u>	<u>965,744</u>
Net position at end of year	<u>\$ 5,271,670</u>	<u>\$ 6,192,681</u>	<u>\$ 7,059,186</u>	<u>\$ (921,011)</u>	<u>\$ (866,505)</u>

Florida Education Foundation, Inc.

Statements of Net Position

	June 30,	
	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,328,074	\$ 2,578,494
Prepaid expenses	-	68,173
Accounts receivable	<u>293</u>	<u>25,000</u>
Total current assets	1,328,367	2,671,667
Investments	1,730,803	811,581
Cash - board designated	84,598	514,923
Investments - board designated	<u>3,266,268</u>	<u>3,008,449</u>
Total assets	<u>\$ 6,410,036</u>	<u>\$ 7,006,620</u>
Liabilities and net position		
Current liabilities:		
Unearned revenue	\$ 792,642	\$ 369,943
Accounts payable	<u>345,724</u>	<u>443,996</u>
Total current liabilities	1,138,366	813,939
Net position:		
Unrestricted		
Undesignated	635,280	430,387
Board designated	3,350,867	3,523,372
Restricted	<u>1,285,523</u>	<u>2,238,922</u>
Total net position	<u>5,271,670</u>	<u>6,192,681</u>
Total liabilities and net position	<u>\$ 6,410,036</u>	<u>\$ 7,006,620</u>

See accompanying notes.

Florida Education Foundation, Inc.

Statements of Revenues, Expenses, and Changes in Net Position

	Years ended June 30,	
	2020	2019
Changes in net position:		
Operating revenues:		
Contribution revenue	\$ 769,694	\$ 520,351
Program revenue	504,722	511,000
In-kind contributions	241,121	140,713
Grant revenue	296,892	250,000
Miscellaneous income	2,702	-
Total operating revenues	1,815,131	1,422,064
Operating expenses:		
Grants	1,564,671	1,055,984
Advertising	16,093	2,732
Meetings	435,868	755,257
Program materials	113,746	293,893
Professional fees	295,045	85,359
Supplies and postage	14,813	77,898
Travel	20,779	20,612
Printing and publication	14,914	12,092
Salaries and benefits	241,121	140,713
Miscellaneous	11,467	14,631
Total operating expenses	2,728,517	2,459,171
Operating loss	(913,386)	(1,037,107)
Non-operating revenues:		
Interest income	140,293	82,106
Realized (loss) gain on investments	(17,942)	76,373
Unrealized (loss) gain on investments	(129,976)	12,123
Total non-operating revenues	(7,625)	170,602
Change in net position	(921,011)	(866,505)
Net position at beginning of year	6,192,681	7,059,186
Net position at end of year	\$ 5,271,670	\$ 6,192,681

See accompanying notes.

Florida Education Foundation, Inc.

Statements of Cash Flows

	Years ended June 30,	
	2020	2019
Operating activities		
Receipts from contributions and program services	\$ 2,021,416	\$ 1,279,076
Payments to vendors	(952,824)	(1,948,770)
Payments for grants and awards	(1,564,671)	(29,506)
Net cash used in operating activities	<u>(496,079)</u>	<u>(699,200)</u>
Investing activities		
Purchase of investments	(7,835,096)	(1,064,755)
Proceeds from the sale of investments	6,510,137	1,415,180
Interest on investments	140,293	82,106
Net cash (used in) provided by investing activities	<u>(1,184,666)</u>	<u>432,531</u>
Net change in cash and cash equivalents	(1,680,745)	(266,669)
Cash and cash equivalents at beginning of year	<u>3,093,417</u>	<u>3,360,086</u>
Cash and cash equivalents at end of year	<u>\$ 1,412,672</u>	<u>\$ 3,093,417</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (913,386)	\$ (1,037,107)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Other assets	92,880	(72,648)
Unearned revenue	422,699	15,225
Accounts payable	(98,272)	395,330
Net cash used in operating activities	<u>\$ (496,079)</u>	<u>\$ (699,200)</u>
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 1,328,074	\$ 2,578,494
Cash - board designated	84,598	514,923
Total cash and cash equivalents	<u>\$ 1,412,672</u>	<u>\$ 3,093,417</u>
Supplemental Disclosures		
Non-cash investing, capital, and financing activities:		
Contribution of salaries and benefits	\$ 241,121	\$ 140,713
Unrealized (loss) gain on investments	(129,976)	12,123

See accompanying notes.

Florida Education Foundation, Inc.

Notes to Financial Statements

Years ended June 30, 2020 and 2019

1. Nature of Operations and Significant Accounting Policies

Florida Education Foundation, Inc. (the Foundation) is organized as a Florida Department of Education direct-support organization and was incorporated under the laws of the state of Florida on April 2, 1985. The Foundation is organized exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of public pre-kindergarten through grade 12 education in Florida. The primary purpose of the Foundation is to pursue a future in which every Florida student graduates from high school ready for post-secondary education and a career. As the Florida Department of Education's direct-support organization, the Foundation serves as a nexus connecting well-informed strategic direction with philanthropic and other resources to leverage effective change in Florida's education system. The Foundation's mission is to invest in high achievement for every student to contribute to Florida's globally competitive workforce.

Reporting Entity

The Foundation meets the criteria set forth by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the Florida Department of Education's (FDOE) comprehensive annual financial reports based on FDOE's ability to appoint the Board of Directors. As a component unit, the Foundation's financial statements are discretely presented in FDOE's comprehensive annual financial reports. The accompanying financial statements present the financial position of the Foundation only. The Foundation does not have any component units and is not involved in any joint ventures.

Basis of Accounting

The Foundation follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The financial statements have been prepared in conformity with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 61, which defines the Foundation as a component unit with the FDOE.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with a financial institution and deposits in highly liquid money market funds. The financial instruments exposed to concentrations of credit risk consist primarily of its cash and cash equivalents. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

For purposes of the statement of cash flows, cash and interest bearing deposits with an original maturity of three months or less are considered cash equivalents.

Investments

Investments held by the Foundation are reported at fair values for securities traded on national or international exchanges or over-the-counter are valued at quoted market prices.

Contributions and Grants

Contributions and grants from two of the Foundation's largest private donors totaled 24% and 38% of contributions revenue for the years ended June 30, 2020 and 2019, respectively.

Revenue Recognition

Operating revenues consist of contributions and event registrations/sponsorships and are recognized when earned. Nonoperating revenues consist of various forms of investment income.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, for financial statement reporting purposes all funds are combined.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Programs

The Foundation administers financial accounts (unrestricted, board designated and restricted) for various funds/programs of FDOE. The Foundation is organized by unrestricted and restricted funds that support FDOE.

Unrestricted Funds

- a. Commissioner's Enhancement Program Fund (General Fund) - includes unrestricted resources available for support of the Foundation.

Board Designated

- a. Mary E. Murdock Endowment Fund - includes unrestricted resources from a single donor for support of the Foundation's mission to promote and support academic excellence for pre-kindergarten through 12th grade students in Florida.

Restricted Funds

- a. Brian Dassler's Leadership Academy (BDLA) - The Foundation's staff will support the Educator Quality division that leads and supports the Dr. Brian Dassler Leadership Academy, working together to ensure the continued professional development of school principals and other district leaders. The Foundation, in partnership with the Division of Educator Quality, is dedicated to helping support this work by continuing to raise funds to support these programs. The Division will provide content for proposals and engage in dialogue with potential donors to assist in securing funds to support these programs.
- b. Career and Technical Education (CTE) - The aim of the fund is to provide increased support for all of Florida's career and technical education programs. These programs matter for economic growth and prosperity – as we think and plan strategically about how to build robust career pathways starting at the middle grades through our postsecondary partners. The fund will support efforts to align all workforce programs to industry demand, the engagement and support of students, particularly those historically underrepresented populations, in workforce education programs, and the scaling of entrepreneurship education and training.
- c. Commissioners Business Recognition Awards (CBRA) - The Commissioner's Business Recognition Awards is an annual event that was established in 1987 by Education Commissioner Betty Castor. The honorees in each county are chosen by the school district, based on the significant impact the business partnership had on the students in a particular K-12 public school or district wide. The Commissioner's recognition instills a sense of pride and accomplishment in these businesses that makes them more likely to continue partnering with the schools in their area.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

- d. Independent Education & Parental Choice (IEPC) - Choice - The Foundation Charter School Conference is an annual event presented by FDOE's (IEPC) and the Foundation. The conference has been in existence since the first Florida charter schools opened in 1996 and began its collaboration with the Foundation in 2006. This multi-day event draws over 800 attendees and more than 448 exhibitor representatives. The conference is designed to provide Florida charter school authorizers, operators, administrators, board members and teachers the opportunity to network with each other and FDOE staff, share best practices and gather information from key FDOE personnel during workshops and breakout sessions, and meet with exhibitors who offer goods and services designed for the charter school community.
- e. District Data Leader of the Year (DDLTY) - FDOE's District Data Leader of the Year Award program recognizes district superintendents who have embraced this initiative and are leading the way in utilizing education data to drive student achievement. The District Data Leader of the Year Award seeks to recognize school superintendents who continually employ innovative data research strategies, look for new methods and opportunities to improve the use of data, and build partnerships within the community to bolster support and use of data systems.
- f. Exceptional Education/Student Services (EESS) - supports programs for students with disabilities and strengthens the quality and variety of services available to students with special needs. The programs and activities include the Administrators' Management Meeting (AMM), Regional Roundtables, SAC and Parent Services Meetings, and New Directors' Academy. AMM is designed for administrators of district exceptional student education (ESE) and student services programs, special projects personnel, state agency programs and residential schools, and for representatives of related college and university training programs. AMM provides important information related to the State Performance Plan, compliance, and monitoring. This meeting is typically held each September.
- g. Educator Quality (EQ) - originally established in 2005 as the Teacher Recruitment Fund when a statewide teacher recruitment initiative was started. Since that time, the fund expanded to include other initiatives and recognition programs. With this expansion, it was determined that the fund title did not adequately describe the programs being supported and in May 2015 the fund title was changed.
- h. Family & Community Outreach - provides resources, training, recognition and technical assistance for parents, volunteers, schools and communities to support families in making choices that will promote a high quality education for their children. The programs and activities include Dropout Prevention and Academic Intervention, Faith and Community-Based Outreach and Parent Involvement.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

- i. FAU Principal Preparation Initiative - includes resources from a grant provided by the Wallace Foundation through Florida Atlantic University to support the creation and implementation of FDOE rules for educational leadership certification program approval that supports university-district partnerships that contain strong components to advance the development of highly effective school leaders.
- j. Florida Civics and Debate Initiative - The Florida Civics and Debate Initiative (FCDI) is made possible by a \$5 million grant from the Bernie Marcus Foundation. The goal of the FCDI is to improve civic literacy skills in middle and high school grade students and prepare them via programs like speech and debate. The initiative is three-year, multi-phase plan to ultimately incorporate Civics programs in every Florida school district.
- k. Florida Future Educators of America (FFEA) - sponsors and administers the annual Future Educators state conference for students. Since 1986, FDOE has provided assistance to schools in starting and maintaining chapters of Florida Future Educators of America pre-collegiate and collegiate teacher recruitment programs. The program provides a forum for students to become aware of career opportunities in education and nurtures their interest in teaching as a career. Each year, FDOE coordinates the state conference for the postsecondary chapters and the senior high school student members and their advisors. FDOE also provides promotional materials to support the advancement of the FFEA program.
- l. Florida District Charter Compact Collaboration - includes resources from a grant provided by the Bill and Melinda Gates Foundation to develop a district-charter collaboration compact that is aimed at drawing high-impact charter school organizations to Florida and building systems that allow and encourage each sector of public education to work together toward the common goal of ensuring that all students have access to a high-quality school.
- m. Florida Reads Best - includes resources from a grant provided by State Farm to support a multi-phase approach toward reading instructional support.
- n. Florida Standards Communications - includes resources from private contributions (AT&T) and grants (GE Foundation, State Farm, Florida League of Cities) for use in increasing awareness and basic understanding of the Florida Standards to all education stakeholders. What originally started as a communications plan to increase awareness and understanding of Common Core State Standards, has now become a vehicle to communicate information about all of the Florida Standards. The funds have been used to develop a standalone website for all Florida Standards information and to develop and execute school and business based events to raise the awareness of the standards.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

- o. Emergency Relief Fund - includes resources from public donations used to support schools affected by hurricanes. During 2004, Florida was hit by four hurricanes (Charley, Frances, Ivan and Jeanne) affecting many schools in the state. The Foundation served as a conduit for supplies and information. Requests to donate were forwarded from Volunteer Florida and throughout other areas of FDOE. District superintendents were asked to report their needs so that priority could be given to those schools most in need. In 2020, the Coronavirus (COVID-19) pandemic hit, and Florida schools were forced to close their brick and mortar and operate solely through distance learning.
- p. Just Read, Florida! (JRF) - supports reading activities that comply with the goal to have every child reading at grade level. These reading activities relate to reading research, teacher training, parent training, and community and corporate involvement.
- q. K-12 Public Schools - includes resources from public and/or private donations for use in support of public schools in Florida. The programs and activities include Become a Mentor! and Dads Take Your Child to School day.
- r. Migrant Families Education - includes resources from a single corporate donor, the Gargiulo Corporation, to fund activities encouraging migrant family involvement in their children's education. After the fund remained inactive for eleven years, FDOE's Florida Migrant Education Program utilized some of the remaining funds to support the involvement in the National Migrant Education Conference held in Orlando in 2013.
- s. National Foundation for Teaching Entrepreneurship (NFTE) - Entrepreneurship Florida! (EF!) was a youth entrepreneurship program sponsored by Governor Jeb Bush's Office of Urban Opportunity, FDOE and the Foundation. The program was placed in schools that serve those communities that were awarded Front Porch status by the Governor. Front Porch Florida was founded in 1999 to address the challenges facing Florida's urban communities. The purpose of the program was to provide high-risk, low-income, minority high school students the opportunity to create and run successful businesses in their communities by introducing them to the world of business.
- t. Office of Equal Education Opportunity (OEEO) - provides services and information to Florida schools, school districts, parents, students, and community groups on topics impacting educational equity. OEEO assists in ensuring that all institutions receiving federal funds provide equal access and equal opportunity in its programs, services and activities, to all students and staff on the basis of race, sex, national origin, disability, age, and marital status. OEEO also strives to ensure that the educational environment is free of bias, stereotyping, discrimination and harassment through on-site compliance reviews, review of annual equity updates from school districts, and provide appropriate technical assistance.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

- u. Office of Healthy Schools (OHS) - promotes and facilitates professional development for school health specialists. Beginning in 2010, OHS began the Summer Academy for Teachers of Health Education which focuses on the professional development needs of teachers responsible for providing instruction on any health education topic for students in their district. The Academy includes elementary, middle and high school classroom teachers, certified health educators, physical education teachers, guidance counselors and teachers responsible for teaching any health education topic.
- v. PD Protocol - established to support FDOE's work to transform district and school-based professional development practices in Florida.
- w. Safe & Healthy Schools - This fund was established to promote healthy practices for students and schools in the State of Florida through Safe Schools Florida, a program administered by FDOE.
- x. Summer Science and Math Symposium - continuation of the 2019 Next Generation Summer Science Symposium. The purpose of this project is science and math professional development across grades levels. The goal of the Summer Science Symposium is to build capacity among Florida's science and math teachers to increase student achievement in science and math. Each symposium location will offer three tracks per content area: (1) grades 3-5, (2) middle school (grades 6-8), and (3) biology/algebra.
- y. Sunshine State Scholars - includes resources from public and private donations to recognize each district's top 11th grade STEAM (science, technology, engineering, arts and math) students and recruit them to pursue their postsecondary education in a Florida college or university. The scholars, their parents and a teacher of their choice are brought together for a two-day recognition program and college/university recruitment fair. This includes workshops for college applications, college funding and teacher professional development.
- z. Teacher Engagement - includes resources from a grant provided by the Bill and Melinda Gates Foundation for the purpose of improving educator quality in the State of Florida. This grant will facilitate and coordinate teacher leaders through a High Impact Teacher Corps, develop culture/mindset in FDOE, and to redesign professional development policy.

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

- aa. Teacher of the Year - recognizes and honors the contributions of outstanding classroom teachers who have demonstrated a superior capacity to inspire a love of learning in students of all backgrounds and abilities. In accordance with Florida Statutes section 1012.77, FDOE coordinates the nomination and selection of the Florida Teacher of the Year and the Finalists. FDOE also coordinates recognition events, the scheduling of presentations and workshops by the Teacher of the Year in his/her service as the Christa McAuliffe Ambassador for Education and the planning and coordination of the annual Florida Teacher Roundtable, a symposium for all nominees.

Donated Services

As a direct-support organization, the Foundation occupies certain premises, and uses the services, including management services, of certain employees of FDOE. Management services, including salaries and benefits, totaled \$241,121 and \$140,713 for the years ended June 30, 2020 and 2019, respectively, and are included as in-kind contributions in the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service, the Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

The Foundation has evaluated subsequent events through January 7, 2021, the date the financial statements were available to be issued. During the period from June 30, 2020 to January 7, 2021, the Foundation did not have any material recognizable subsequent events.

Use of Estimates

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

Florida Education Foundation, Inc.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Investments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value on a Recurring Basis

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis.

Investments consist of the following at June 30, 2020:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Market and Carrying Value</u>	<u>Level 1</u>
Equity securities	\$ 3,109,828	\$ (4,570)	\$ 3,105,258	\$ 3,105,258
Fixed income	<u>1,919,322</u>	<u>(27,509)</u>	<u>1,891,813</u>	<u>1,891,813</u>
Total	<u>\$ 5,029,150</u>	<u>\$ (32,079)</u>	<u>\$ 4,997,071</u>	<u>\$ 4,997,071</u>

Florida Education Foundation, Inc.

Notes to Financial Statements

2. Investments (continued)

Investments consist of the following at June 30, 2019:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Market and Carrying Value</u>	<u>Level 1</u>
Equity securities	\$ 1,718,485	\$ 901,749	\$ 2,620,234	\$ 2,620,234
Corporate bonds	600,992	6,894	607,886	607,886
Government bonds	132,987	3,096	136,083	136,083
Real estate fund	64,451	5,641	70,092	70,092
Fixed income	<u>124,890</u>	<u>260,845</u>	<u>385,735</u>	<u>385,735</u>
Total	<u>\$ 2,641,805</u>	<u>\$ 1,178,225</u>	<u>\$ 3,820,030</u>	<u>\$ 3,820,030</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodial entity, the Foundation's deposits may not be returned to it. At June 30, 2020, the Foundation has one custodian: United States Liability Insurance Company. The policy with United States Liability Insurance Company includes coverage for director and officer liability; professional liability (errors and omissions); employment practices liability; fidelity liability; fidelity bond; computer crime; and cyber security.

Interest Rate Risk

Interest rate risk arises from investments in debt instruments and is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation is not directly subject to interest rate risk for its investment in mutual funds that purchase debt instruments, as the Foundation is able to sell their interest in these mutual funds at will (subject to potential redemption fees). Duration of mutual funds comprised of debt instruments was not readily available as of June 30, 2020.

Credit Quality Risk

The Foundation's policy is to invest in high quality instruments with the lowest level of risk. Investments are rated by either Standard & Poor's or Moody's at the time of purchase. Because mutual funds are listed and valued as a whole, not by individual holdings, information about specific ratings cannot be obtained; however, the mutual funds do have exposure to non-investment grade securities.

Florida Education Foundation, Inc.

Notes to Financial Statements

2. Investments (continued)

Foreign Currency Risk

Investments in international equity securities are limited to SEC-Registered, U.S. exchange listed, U.S. dollar-denominated securities in foreign domiciled issuers. The Foundation invests in international securities through American Depository Receipts (ADRs). ADRs represent investments in shares of foreign companies traded on the U.S. financial markets and are denominated in U.S. dollars and, thus, are not exposed to foreign currency risk. Securities of foreign companies traded on foreign stock exchanges may be purchased only with the written permission of the Foundation's Investment Committee. The Foundation has no investments with foreign currency risk at June 30, 2020.

Concentration of Credit Risk

The Investment Policies require investments to be diversified such that there is not an undue concentration in a single industry sector. Investments in equity or fixed income securities are subject to a maximum 5% commitment at cost of the account's total market value for any individual security or single issuer.

3. Commitments and Contingencies

During the ordinary course of business, the Foundation executes agreements with hotels for future events. In the case of an unforeseen cancellation, the Foundation is not liable for any significant penalties unless the event is booked at another venue within the area. As of June 30, 2020, management has no intentions to terminate any of the existing agreements which extend through 2020.

4. Programs and Awards

The Foundation presented Teacher of the Year awards of \$1,091 and \$1,371 for the fiscal years ended June 30, 2020 and 2019, respectively, to selected Florida teachers and their schools. Awards are given for district, regional, and state Teachers of the Year in amounts ranging from \$250 to \$5,000.

The Foundation presented other grants/awards as part of other programs totaling \$159,700 and \$28,135 for the fiscal years ended June 30, 2020 and 2019, respectively.

5. Administrative Fees

Individual funds were charged a fee to recover the costs of administering these funds. Administrative fees are eliminated when operating and other funds are combined for financial statement presentation. The administrative fee was 5% of gross revenues for each fund unless otherwise negotiated.

Florida Education Foundation, Inc.

Notes to Financial Statements

6. Operating Expenses

Operating expenses of the Foundation include both administrative and program expenses. For the years ended June 30, 2020 and 2019 the administrative component of operating expenses was \$409,633 and \$189,187, respectively. The program expenses component for the years ended June 30, 2020 and 2019 was \$2,298,194 and \$2,269,984, respectively.

7. Related Party

During the normal course of business, the Foundation receives contributions, including cash, from board members and their affiliated entities.

8. Designated Net Position, Cash, and Investments

The Board of Directors has designated unrestricted net position for each of the years ended June 30, 2020 and 2019 for the Mary Murdock Endowment Fund in the amount of \$3,350,867 and \$3,523,372, respectively. In addition, the Board of Directors has designated cash and investments in the amount equal to the above designation.

Other Reports

Report of Independent Auditors 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*

Board of Directors
Florida Education Foundation, Inc.

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 Florida Education Foundation, Inc. (the Foundation), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2021.

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 opinion 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.

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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 grant 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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
January 7, 2021