

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2016 and 2015

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RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hillsborough Education Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hillsborough Education Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016 and 2015, and the changes in its net assets, its cash flows, and its functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

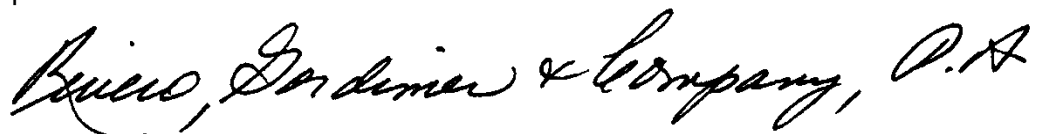
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The accompanying Schedule of Expenditures of State Financial Assistance, is presented for the purpose of additional analysis as required by Chapter 10.650, *State of Florida Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 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.



Tampa, Florida
October 20, 2016

Hillsborough Education Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 141,005	\$ 260,504
Cash held for others (note N)	34,812	3,911,182
Accounts receivable, net (note A3)	115,586	176,547
Pledges receivable, net (note D)	164,366	306,993
Investments (notes B and C)	<u>1,024,713</u>	<u>1,062,218</u>
Total current assets	1,480,482	5,717,444
PREPAID SCHOLARSHIPS (note E)	3,676,890	3,711,151
FURNITURE, EQUIPMENT AND IMPROVEMENTS, net (notes A5 and F)	272,899	316,124
PLEDGES RECEIVABLE, net (note D)	21,631	55,031
INVESTMENTS (notes B and C)	2,988,428	3,029,985
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (note G)	51,641	53,000
DEPOSITS	<u>2,991</u>	<u>814</u>
TOTAL ASSETS	<u>\$ 8,494,962</u>	<u>\$ 12,883,549</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,810	\$ 79,160
Accrued expenses	957,579	910,900
Deferred revenue	112,000	90,500
Other liability (note N)	<u>34,812</u>	<u>3,911,182</u>
Total current liabilities	<u>1,122,201</u>	<u>4,991,742</u>
NET ASSETS (note A2)		
Unrestricted	442,423	456,046
Temporarily restricted (notes K and M)	6,214,661	6,825,084
Permanently restricted (note M)	<u>715,677</u>	<u>610,677</u>
	<u>7,372,761</u>	<u>7,891,807</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,494,962</u>	<u>\$ 12,883,549</u>

The accompanying notes are an integral part of these statements.

Hillsborough Education Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Community support and revenue				
Public support				
Received directly				
Contributions	\$ 566,948	\$ 1,812,442	\$ 100,000	\$ 2,479,390
Federal grants	-	11,810	-	11,810
State grants	84,288	480,405	-	564,693
Local grants	-	53,986	-	53,986
Special events (note H)	56,856	191,778	-	248,634
Donated goods and services				
School Board	-	9,091	-	9,091
Other (note A9)	14,598	3,460,963	-	3,475,561
Total community support	<u>722,690</u>	<u>6,020,475</u>	<u>100,000</u>	<u>6,843,165</u>
Other revenue				
Unrealized scholarship appreciation (note E)	-	47,407	-	47,407
Investment income (loss) (note A4)	9,414	(39,834)	-	(30,420)
Other revenue (note N)	137,113	-	-	137,113
Total other revenue	<u>146,527</u>	<u>7,573</u>	<u>-</u>	<u>154,100</u>
Net assets released from restrictions	<u>6,633,471</u>	<u>(6,638,471)</u>	<u>5,000</u>	<u>-</u>
Total community support and revenue, other revenue and net assets released from restrictions	<u>7,502,688</u>	<u>(610,423)</u>	<u>105,000</u>	<u>6,997,265</u>
Expenses				
Program services				
Career and Technical Education	323,447	-	-	323,447
Teacher Support and Recognition	369,158	-	-	369,158
Scholarships and Mentoring	1,776,507	-	-	1,776,507
School and Classroom Enrichment Programs	612,452	-	-	612,452
Teaching Tools for Hillsborough Schools	3,749,751	-	-	3,749,751
Total program services	<u>6,831,315</u>	<u>-</u>	<u>-</u>	<u>6,831,315</u>
Supporting services				
Management and general	362,935	-	-	362,935
Fundraising	322,061	-	-	322,061
Total supporting services	<u>684,996</u>	<u>-</u>	<u>-</u>	<u>684,996</u>
Total expenses	<u>7,516,311</u>	<u>-</u>	<u>-</u>	<u>7,516,311</u>
Change in net assets	(13,623)	(610,423)	105,000	(519,046)
Net assets at beginning of year	<u>456,046</u>	<u>6,825,084</u>	<u>610,677</u>	<u>7,891,807</u>
Net assets at end of year	<u>\$ 442,423</u>	<u>\$ 6,214,661</u>	<u>\$ 715,677</u>	<u>\$ 7,372,761</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Community support and revenue				
Public support				
Received directly				
Contributions	\$ 716,622	\$ 1,722,309	\$ 10,000	\$ 2,448,931
Federal grants	-	189,923	-	189,923
State grants	34,264	521,388	-	555,652
Local grants	-	53,801	-	53,801
Special events (note H)	46,751	153,730	-	200,481
Donated goods and services				
School Board	-	9,036	-	9,036
Other (note A9)	116,007	3,527,517	-	3,643,524
Total community support	913,644	6,177,704	10,000	7,101,348
Other revenue				
Unrealized scholarship appreciation (note E)	-	66,770	-	66,770
Investment income (note A4)	40,205	53,371	-	93,576
Other revenue (notes E and N)	137,113	294,454	-	431,567
Total other revenue	177,318	414,595	-	591,913
Net assets released from restrictions	6,842,020	(6,860,419)	18,399	-
Total community support and revenue, other revenue and net assets released from restrictions	7,932,982	(268,120)	28,399	7,693,261
Expenses				
Program services				
Career and Technical Education	287,199	-	-	287,199
Teacher Support and Recognition	402,965	-	-	402,965
Scholarships and Mentoring	2,191,451	-	-	2,191,451
School and Classroom Enrichment Programs	806,322	-	-	806,322
Teaching Tools for Hillsborough Schools	3,741,438	-	-	3,741,438
Total program services	7,429,375	-	-	7,429,375
Supporting services				
Management and general	332,605	-	-	332,605
Fundraising	293,247	-	-	293,247
Total supporting services	625,852	-	-	625,852
Total expenses	8,055,227	-	-	8,055,227
Change in net assets	(122,245)	(268,120)	28,399	(361,966)
Net assets at beginning of year	578,291	7,093,204	582,278	8,253,773
Net assets at end of year	\$ 456,046	\$ 6,825,084	\$ 610,677	\$ 7,891,807

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENTS OF CASH FLOWS

For the year ended June 30,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	<u>\$ (519,046)</u>	<u>\$ (361,966)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	78,204	53,731
Decrease (increase) in accounts receivable	60,961	(83,555)
Decrease (increase) in pledges receivable	176,027	(41,736)
Net unrealized loss on investments	158,115	83,190
Decrease in prepaid scholarships	34,261	45,030
(Increase) decrease in beneficial interest in assets held by others and deposits	(818)	1,724
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	<u>6,829</u>	<u>(192,859)</u>
Total adjustments	<u>513,579</u>	<u>(134,475)</u>
Net cash used by operating activities	<u>(5,467)</u>	<u>(496,441)</u>
Cash flows from investing activities		
Fixed asset purchases	(34,979)	(1,550)
Purchase of investments	(129,053)	(180,724)
Proceeds from sale of investments	<u>50,000</u>	<u>527,767</u>
Net cash (used) provided by investing activities	<u>(114,032)</u>	<u>345,493</u>
Net decrease in cash	(119,499)	(150,948)
Cash at beginning of year	<u>260,504</u>	<u>411,452</u>
Cash at end of year	<u>\$ 141,005</u>	<u>\$ 260,504</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ -</u>	<u>\$ -</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Hillsborough Education Foundation, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016

	Program Services					Supporting Services			Total
	Career and Technical Education	Teacher Support and Recognition	Scholarships and Mentoring	School and Classroom Enrichment Programs	Teaching Tools for Hillsborough Schools	Total Program Services	Management and General	Fundraising	
Salaries, wages and benefits	\$ 124,319	\$ 130,251	\$ 544,821	\$ 243,195	\$ 297,533	\$ 1,340,119	\$ 240,950	\$ 223,820	\$ 1,804,889
Banquets, facilities and services	6,886	64,093	12,852	18,668	597	103,096	12,388	1,986	117,470
Grant and awards	47,452	16,601	212,343	185,345	15	461,756	3,572	895	466,223
Grant supplies and service	24,798	-	405	3,783	12,639	41,625	-	-	41,625
Tuition and scholarships	22,757	7,975	810,530	5,000	-	846,262	-	-	846,262
Accounting services	1,392	1,920	8,324	2,760	5,356	19,752	5,202	4,616	29,570
Contractual services	73,602	2,938	55,213	46,620	673	179,046	9,311	3,150	191,507
Office supplies and printing	595	9,578	3,968	13,387	1,814	29,342	6,188	4,731	40,261
Software and computer support	6,610	3,811	14,353	6,641	6,660	38,075	5,914	5,738	49,727
Equipment and service lease	773	1,057	4,802	2,252	3,012	11,896	3,253	2,619	17,768
Insurance	3,394	4,659	20,313	10,804	13,074	52,244	11,293	11,422	74,959
Conferences and training	187	408	1,323	2,251	973	5,142	2,157	1,456	8,755
Service charges	-	4,483	-	1,507	38	6,028	4,460	4,464	14,952
Equipment maintenance and repairs	-	-	4,390	31,000	439	35,829	3,418	-	39,247
In-kind (note A10)	267	98,906	19,160	529	3,356,556	3,475,418	1,981	7,253	3,484,652
Depreciation	3,691	5,090	22,069	7,312	14,202	52,364	13,608	12,232	78,204
Miscellaneous	-	1,076	6,718	1,279	16,809	25,882	4,129	9,806	39,817
Bad debt expense	-	-	-	900	-	900	1,540	12,960	15,400
Dues and subscriptions	-	-	-	237	500	737	4,374	75	5,186
Meetings	296	884	10,884	17,133	1,766	30,963	12,644	2,095	45,702
Advertisement	3,234	11,022	4,696	5,503	4,405	28,860	4,744	2,063	35,667
Occupancy	3,194	4,406	19,343	6,346	12,690	45,979	11,809	10,680	68,468
Total expenses	\$ 323,447	\$ 369,158	\$ 1,776,507	\$ 612,452	\$ 3,749,751	\$ 6,831,315	\$ 362,935	\$ 322,061	\$ 7,516,311

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015

	Program Services					Supporting Services			
	Career and Technical Education	Teacher Support and Recognition	Scholarships and Mentoring	School and Classroom Enrichment Programs	Teaching Tools for Hillsborough Schools	Total Program Services	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 122,270	\$ 121,538	\$ 550,732	\$ 264,849	\$ 257,976	\$ 1,317,365	\$ 152,515	\$ 207,151	\$ 1,677,031
Banquets, facilities and services	13,235	83,982	37,818	35,904	1,650	172,589	12,443	10,126	195,158
Grant and awards	89,425	24,835	9,296	259,059	13	382,628	13,053	1,003	396,684
Grant supplies and service	-	152	5,799	46,975	5,039	57,965	1,655	873	60,493
Tuition and scholarships	-	-	950,186	2,000	-	952,186	-	-	952,186
Accounting services	968	1,232	11,296	1,800	4,788	20,084	5,804	4,112	30,000
Contractual services	25,937	27,413	326,987	94,836	15,257	490,430	20,723	11,174	522,327
Office supplies and printing	462	5,886	6,084	9,720	2,596	24,748	8,201	4,343	37,292
Software and computer support	636	809	13,563	3,552	3,142	21,702	3,030	2,698	27,430
Equipment and service lease	739	936	8,460	2,284	3,612	16,031	4,027	3,235	23,293
Insurance	1,966	2,545	20,803	5,957	8,934	40,205	16,128	8,260	64,593
Conferences and training	61	183	4,942	13,765	1,046	19,997	8,286	815	29,098
Service charges	-	2,312	2,433	1,685	49	6,479	2,738	2,348	11,565
Equipment maintenance and repairs	765	975	10,201	3,318	6,562	21,821	8,486	5,198	35,505
In-kind (note A10)	10,743	106,709	138,742	5,905	3,371,639	3,633,738	17,664	1,158	3,652,560
Depreciation	1,736	2,209	20,233	3,219	8,577	35,974	10,394	7,363	53,731
Miscellaneous	4,588	1,966	1,672	464	21,614	30,304	3,853	1,374	35,531
Dues and subscriptions	-	-	-	1,600	585	2,185	4,885	385	7,455
Meetings	2,792	2,703	26,232	29,779	3,646	65,152	13,129	8,797	87,078
Advertisement	8,431	13,470	17,480	15,103	10,328	64,812	10,934	2,466	78,212
Occupancy	2,445	3,110	28,492	4,548	14,385	52,980	14,657	10,368	78,005
Total expenses	<u>\$ 287,199</u>	<u>\$ 402,965</u>	<u>\$ 2,191,451</u>	<u>\$ 806,322</u>	<u>\$ 3,741,438</u>	<u>\$ 7,429,375</u>	<u>\$ 332,605</u>	<u>\$ 293,247</u>	<u>\$ 8,055,227</u>

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

Hillsborough Education Foundation, Inc. (the "Foundation") was incorporated on March 2, 1988 under Chapter 617 of the Florida Statutes as a not-for-profit corporation for educational and charitable purposes. The general nature, purpose, and objectives of the Foundation are to provide support to the teachers and students of the Hillsborough County public schools. The Foundation focuses on initiatives that support academic excellence.

2. Basis of Accounting

The financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole, and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into three self-balancing net asset groups as follows:

- Unrestricted Net Assets - net assets that are not temporarily restricted or permanently restricted as described below.
- Temporarily Restricted Net Assets - net assets subject to donor-imposed stipulations that may or will be met by either actions of the Foundation and/or the passage of time.
- Permanently Restricted Net Assets - net assets subject to donor-imposed restrictions that are to be maintained by the Foundation (see note M).

Contributions received and unconditional promises to give are measured at their fair values at the date of contribution and are reported as increases in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are designated for future periods. Temporarily restricted net assets are reclassified to unrestricted net assets when the restriction expires. Accordingly, the financial statements classify all net assets as unrestricted except those that involve a donor restriction which are classified as temporarily restricted or permanently restricted.

3. Accounts Receivable

The Foundation receives support from various state and local grants. Accounts receivable include an allowance for doubtful accounts of approximately \$-0- and \$2,350 for the years ended June 30, 2016 and 2015, respectively. The Foundation considers the net accounts receivable to be fully collectible. Accounts receivable are written off when management deems the accounts to be uncollectible.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Investments

Investments are stated at fair value based upon quoted market prices with dividends, interest, realized and unrealized gains and losses captioned as investment income on the Statement of Activities and Changes in Net Assets.

5. Furniture, Equipment and Improvements

Furniture, equipment and improvements are stated at cost or fair value at the date of donation. Depreciation is calculated using the straight-line method over an estimated useful life of five to ten years. The Foundation capitalizes asset acquisitions exceeding \$1,000 individually.

6. Income Taxes

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Management is not aware of any activities that would jeopardize the Foundation's tax exempt status. The Foundation is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after June 30, 2013 remain subject to examination by taxing authorities.

7. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and money market accounts.

8. Use of Estimates

The preparation of these 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, liabilities, and operating expenses and to disclose contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

9. Donated Goods and Services

Donations of in-kind items used by the Foundation are recorded as contributions and as assets or expenses to the extent that an objective basis is available to measure the value of such items.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed services are recorded as contributions and as assets or expenses at their fair value, to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals or organizations possessing these skills, and would typically need to be purchased if not provided by donations. Contributed goods and services totaled approximately \$3,475,600 and \$3,643,500 during the years ended June 30, 2016 and 2015, respectively.

Approximately \$3,357,000 and \$3,372,000 of the contributed goods and services for the years ended June 30, 2016 and 2015, respectively, relate to the donated school supplies and products for the Foundation's Teaching Tools for Hillsborough County Schools program. The donated school supplies and products for this program are recognized at fair market value as revenue and expense at the date of selection by the program's recipients.

The Hillsborough County School Board donated goods and services to the Foundation of approximately \$9,000 during 2016 and 2015, respectively. These goods and services include telephone services and other administrative costs.

A substantial number of volunteers have contributed significant amounts of time and services to the Foundation's fundraising activities. However, these services have not been recognized in the financial statements since they do not meet the requirements of Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC") 958-605.

10. Functional Expenses

The Foundation allocates its expenses on a functional basis among its various programs and services. Expenses that can be identified with a specific revenue and support service are allocated directly according to their natural expenditure classification.

The Foundation's principal activities comprise:

I. Career and Technical Education

Half of the fastest growing occupations in Florida require some training beyond high school, but not a college degree. By supporting Hillsborough County's four Career Centers and four Technical Colleges, the Foundation is helping to prepare students to become the next generation of American workers. The Foundation provides financial assistance to help students focused on career and technical education training in an effort to help them graduate and cement better career opportunities beyond high school. Career and technical scholarships and financial assistance through Project Success and Project Invest come from a triad of support by the Foundation, Hillsborough County Public Schools and the business community.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Foundation partnered with local businesses and non-profit organizations to provide paid summer job internships to ambitious high-school students enrolled in Career and Technical Education programs. This program was designed to give students the skills and experience they need to be better prepared to enter the workforce after high school graduation. Prior to applying for jobs at participating businesses, about two hundred Hillsborough students attend pre-employment training events where they learn skills in interviewing, job searching, resume writing and financial literacy.

II. Teacher Support and Recognition

The best teachers result in better student outcomes. It's been proven that Board Certified Teachers foster achievement in the classroom. National Board Certified Teachers (NBCT) meet rigorous standards of excellence that far exceed the basic requirements of state teacher licensing. NBCT grants are an initiative launched by the Foundation in 2012 to provide \$500 matching grants to help teachers in achieving certification.

Retaining experienced teaching talent is critical for the success of students. Hillsborough County attracts nearly 1000, new Teachers, each year to the school system. The Foundations helps to support and retain this new talent by supporting a four day New Teacher Orientation where new teachers gain information and training to facilitate their transition into Hillsborough County Public Schools.

The Foundation believes that outstanding teachers and support staff should be recognized for their achievements. Each year the Foundation collaborates with the Hillsborough County Public School District for the annual Excellence in Education Awards to recognize faculty and staff who consistently bring forth extraordinary efforts to make miracles happen for our students and schools. At this event, almost 3,000 educators and members of the community honor the Teacher of the Year, the Ida S. Baker Diversity Educator of the Year and the Instructional Support Employee of the Year.

In 2013, the Foundation launched its Teacher Excellence Lecture Series designed to engage educators, administrators, parents and policy makers in leading-edge education trends and topics that impact the classroom. Bringing in nationally recognized education thought leaders and authors, the Lecture Series helps teachers continue to be the very best educators they can be, which in turn brings out the best in students.

III. Scholarships and Mentoring

Success for so many high school students lies in scholarships to college. At the Foundation, the number one priority is to help ensure those students who are motivated and able to go to college have the financial resources to do so. Together with community partners and through events like the Strides for Education 5K Walk/Run, the Foundation was able to award scholarships to more than 344 and 356 students during the years ended June 30, 2016 and 2015, respectively.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Foundation works in collaboration with the statewide Take Stock in Children (TSIC) Program to offer scholarships to low income students between 6th and 10th grades. These students can receive a two-year community college, four-year state college or four-year university Florida prepaid scholarship. In this program, the Foundation pairs mentors with low-income 6th through 10th graders to help these students get the support, motivational and accountability they need to escape the cycle of poverty, graduate high school and attend college on a scholarship. Mentoring throughout high school years, helps students build meaningful relationships with others who deeply care about their success, and help them reach their full potential. During weekly mentoring sessions, students set goals, build positive values and develop academic skills to help them excel in their school work. Despite economic disadvantages and other risk factors, TSIC scholars have higher graduation rates (98%) than non-TSIC students in Hillsborough County (74%).

The Foundation also provides cash scholarships starting at \$1,000 to juniors and seniors who meet minimum requirements including GPA, income, community service and school involvement. These scholarships help to make college a reality for hundreds of students that could not attend college without financial support. Now they can dream a little bigger and have a brighter future, making a highly positive impact on our community as an even more educated group enters the workplace.

IV. School and Classroom Enrichment Programs

Through School Enrichment Grants, the Foundation provides funding for teachers with bright ways to enhance the learning environment and inspire their students through innovation and excitement. With a little bit of creativity and funding support for our teachers, learning becomes easier – not to mention more fun. Working with our corporate and community partners, the Foundation is able to provide over \$121,000 and \$145,000 in classroom grants to 69 and 26 schools to help projects that go beyond the typical school budget for classroom enhancement during the years ended June 30, 2016 and 2015, respectively.

The Foundation supports 2 major initiatives to inspire HCPS students to excel in STEM (Science, Technology, Engineering and Math) and Arts & Writing. One of the largest events of its kind in the S. E., the annual Hillsborough Regional STEM Fair showcases 1,500 innovative STEM projects of Hillsborough County K-12 students competing to represent Hillsborough at the state and international competitions.

The Scholastic Art and Writing Awards presents the creative work of middle and high school students. Winners move on to compete at the national Scholastic Art & Writing Awards, one of the most prestigious competitions in the U.S. held each year at Carnegie Hall, NYC. Winners at this competition can win up to \$10,000 in college scholarships.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Sometimes, all a student really needs to succeed is someone to believe in them. Now in its 5th and final year, the AmeriCorps Graduation Pathways program is helping students in grades K-12 who are at risk of dropping out of school in Hillsborough and Leto High Schools and 21 feeder elementary and middle schools. The Foundation's 28 dedicated AmeriCorps members mentor over 366 students each week resulting in 35,500 service hours. They help them not only through encouragement and assistance with school work, but also through teaching invaluable lessons of goal setting, personal values, fostering academic goals and exploring career path options. The AmeriCorps Graduation Pathways program concluded as of June 30, 2015.

V. Teaching Tools for Hillsborough Schools

Teaching Tools for Hillsborough Schools provides critical school supplies year-round to economically disadvantaged students. Being a student is hard enough with the pressure to wear the right things and sport the right hairstyle. When your family is so financially challenged that you don't even have pencils or paper, learning becomes an uphill battle. Thanks to the Foundation's Teaching Tools Store, this battle doesn't have to be fought. The program allows teachers from Title 1 schools the opportunity to shop for free school supplies to distribute to their students in need. Teaching Tools serves 140 Title 1 schools and reaches more than 68,000 at-risk students annually. Since 2002, the Foundation has distributed more than \$22 million in free school supplies to schools in Hillsborough County. The Teaching Tools Store is a real brick and mortar store stocked 100 percent through donations of school supplies from individuals, local businesses and national retail chains through Kids in Need Foundation. Each year, local partners, provide over 6,000 hours of volunteer services to the store.

NOTE B - FAIR VALUE MEASUREMENTS

FASB ASC 820-10 establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price).

Under FASB ASC 820-10, a fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. FASB ASC 820-10 requires disclosures that stratify the statement of financial position amounts measured at fair value based on inputs used to derive fair value measurements.

These strata include:

- Level 1 inputs, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE B - FAIR VALUE MEASUREMENTS - Continued

- Level 2 inputs, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 inputs, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on fund-specific data. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The following table presents financial assets measured at fair value on a recurring basis as of June 30,:

<u>2016</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market and				
certificate of deposit funds	\$ 603,587	\$ 603,587	\$ -	\$ -
Short-term bond funds	653,234	653,234	-	-
Intermediate-term bond funds	675,530	675,530	-	-
Large blend mutual funds	1,215,111	1,215,111	-	-
Mid-cap mutual funds	156,677	156,677	-	-
International mutual funds	566,069	566,069	-	-
Small growth mutual funds	142,933	142,933	-	-
Total	<u>\$4,013,141</u>	<u>\$ 4,013,141</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2015</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market and				
certificate of deposit funds	\$ 252,926	\$ 252,926	\$ -	\$ -
Short-term bond funds	977,770	977,770	-	-
Intermediate-term bond funds	707,340	707,340	-	-
Large blend mutual funds	1,229,375	1,229,375	-	-
Mid-cap mutual funds	154,796	154,796	-	-
International mutual funds	613,490	613,490	-	-
Small growth mutual funds	156,506	156,506	-	-
Total	<u>\$4,092,203</u>	<u>\$ 4,092,203</u>	<u>\$ -</u>	<u>\$ -</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE B - FAIR VALUE MEASUREMENTS - Continued

Pledges Receivable

Pledges receivable are reported at the fair value of promises to give that are due in more than one year by discounting expected future cash flows using a discount rate of 1.0% to 4.0%.

NOTE C - INVESTMENTS

Cash or investments that are designed for long-term purposes or are received with donor imposed restrictions that limit their use are shown as noncurrent assets in the Statements of Financial Position. Investments shown as noncurrent assets consisted of the following at June 30,:

	<u>2016</u>	<u>2015</u>
Endowments/donor advised funds	<u>\$ 2,988,428</u>	<u>\$ 3,029,985</u>

NOTE D - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give by donors. Pledges that are expected to be collected after one year have been discounted using a rate of 1.0% to 4.0%, and are reflected in the financial statements at their net present value. Pledges receivable consisted of the following at June 30,:

	<u>2016</u>	<u>2015</u>
Total pledges	\$ 204,766	\$ 384,668
Less allowance for uncollectible pledges	(15,400)	(19,275)
Less unamortized discount for present value	<u>(3,369)</u>	<u>(3,369)</u>
Pledges receivable, net	<u>\$ 185,997</u>	<u>\$ 362,024</u>

Pledges receivable expected to be collected after June 30, 2016:

<u>Year ending June 30,</u>	
2017	\$ 179,766
2018	25,000
2019	-
2020	-
2021	-
	<u>204,766</u>
Less allowance for uncollectible pledges and unamortized discount	<u>(18,769)</u>
	<u>\$ 185,997</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE E - PREPAID SCHOLARSHIPS

The Foundation made purchases totaling \$256,209 and \$297,351 to the Florida Prepaid College Foundation, Inc. during the years ended June 30, 2016 and 2015, respectively, for the purpose of purchasing prepaid scholarships to be awarded in the future to qualified, economically disadvantaged students in Florida. In 2016 and 2015, the State of Florida matched dollar-for-dollar contributions used to purchase prepaid scholarships. The fair value of the prepaid scholarships was \$3,676,890 and \$3,711,151 at June 30, 2016 and 2015, respectively. The prepaid scholarship fund was reduced by \$337,877 and \$409,150 due to the utilization of scholarship recipients for the years ended June 30, 2016 and 2015, respectively. Additionally, the prepaid scholarships appreciated \$47,407 and \$66,770 for the years ended June 30, 2016 and 2015, respectively, as a result of the increase in value of a college credit hour with the State of Florida.

During the 2014 Legislative Session, Florida House Bill 851 passed and became law July 1, 2014. As a result of this bill, the cost of prepaid tuition scholarships purchased by the public was reduced. Certain plans purchased since 2008 were issued a refund as a part of a retroactive adjustment. The Foundation received a refund of approximately \$166,000 for prepaid scholarships purchased in prior years and has been recorded as other temporarily restricted income during the year ended June 30, 2015.

NOTE F - FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture, equipment and improvements is summarized as follows at June 30,:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 62,073	\$ 56,709
Furniture, fixtures and equipment	63,076	57,466
Leasehold improvements	<u>515,913</u>	<u>491,909</u>
	641,062	606,084
Less accumulated depreciation	<u>(368,163)</u>	<u>(289,960)</u>
	<u>\$ 272,899</u>	<u>\$ 316,124</u>

NOTE G - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation established a designated fund with the Community Foundation of Tampa Bay, Inc. (the "Community Foundation") for the purpose of providing support for the Foundation's mission.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE H - SPECIAL EVENTS

The Foundation conducted a variety of special events during the years ended June 30, 2016 and 2015 to benefit the Foundation. Net special events revenue consisted of the following at June 30,:

	<u>2016</u>	<u>2015</u>
Event revenue	\$ 429,048	\$ 376,571
Direct expenses	<u>180,414</u>	<u>176,090</u>
Net proceeds from special events	<u>\$ 248,634</u>	<u>\$ 200,481</u>

NOTE I - COMMITMENTS

The Foundation leases equipment which is classified as an operating lease. The following is a schedule of approximate minimum payments under the contracts that expire as follows:

Year ending June 30,:

2017	<u>\$ 1,900</u>
------	-----------------

The Foundation's rental expense was approximately \$17,800 and \$23,300 for the years ended June 30, 2016 and 2015, respectively. Additionally, the Foundation entered into an office space lease with the City of Tampa effective June 2010 for \$1 per year for ten years.

NOTE J - RETIREMENT PLAN

The Foundation participates in a 403(b) retirement plan that covers all employees. Each full-time employee covered under the plan has a discretionary contribution of 10% of the employee's eligible wages contributed to the plan by the Foundation, starting after their first 12 consecutive months of employment, or if part-time, after 1,000 hours of employment. Pension expense was \$107,734 and \$95,184 for the years ended June 30, 2016 and 2015, respectively.

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Foundation. The net assets are then released and reclassified to unrestricted support when these restrictions are satisfied.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE K - TEMPORARILY RESTRICTED NET ASSETS - Continued

Temporarily restricted net assets consisted of the following balances at June 30,:

	<u>2016</u>	<u>2015</u>
Career and Technical Education	\$ 248,144	\$ 352,876
Scholarships and Mentoring	4,172,781	4,430,289
School and Classroom Enrichment Programs	275,607	261,696
Endowments/donor advised funds	1,218,430	1,339,312
Other Programs and school projects	<u>299,699</u>	<u>440,911</u>
	<u>\$ 6,214,661</u>	<u>\$ 6,825,084</u>

NOTE L - SCHOOL BOARD FUNDING

The Hillsborough County School Board made cash contributions of approximately \$-0- and \$230,000 for the years ended June 30, 2016 and 2015, respectively. These cash contributions were used for administrative expenses.

NOTE M - ENDOWMENT NET ASSETS

The Foundation's endowment is comprised of donor restricted funds designated to function as endowments. Net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

In July 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Foundation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE M - ENDOWMENT NET ASSETS - Continued

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and that appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The terms of the operating policies of the endowment funds (the "Fund") requires that the Fund will be managed by the Investment Committee and approved by the Board of Directors.

The Investment Committee is responsible to oversee the portfolio's investments and monitor the investments on an ongoing basis to ensure that long-term objectives are being met. The Investment Committee has agreed to a target asset allocation for the portfolio's assets and seeks advice from professional investment managers which hold the assets. The Fund is to invest funds in accordance with the standards set forth in the Foundation's investment policy.

Spending Policy and How the Investment Objective Relates to Spending Policy

The Foundation's Board of Directors ("Board"), on the recommendation of the Investment Committee, has adopted a spending policy that governs the annual distributions from the endowment fund that may be expended for current operations of the Foundation. This policy authorizes the Foundation to distribute from its endowment fund a specified percentage, to be determined by the Board from time to time, of the current market at budget time or fiscal year-end of the endowment fund. The policy also allows the Board to base the distribution formula on the average market value over a period of several years as it chooses to do so. For the fiscal year ended June 30, 2016, the Board authorized the distribution and expenditure of four percent (4%) of the three year average market value of the endowment as of June 30, 2016.

Distributions cannot exceed the accumulated unspent earnings of the endowment without the Board's approval. Income earned in excess of the spending rate may be reinvested in endowment principal. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE M - ENDOWMENT NET ASSETS - Continued

Changes in the endowment's net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2014	\$ 856,953	\$ 152,123	\$ 582,278	\$ 1,591,354
Contributions	450	6,440	10,000	16,890
Investment income	46,424	19,856	-	66,280
Endowment expenditures	-	(50,380)	-	(50,380)
Transfers	-	8,928	18,399	27,327
Endowment net assets at June 30, 2015	903,827	136,967	610,677	1,651,471
Contributions	-	28,812	100,000	128,812
Investment income	(2,857)	(12,666)	-	(15,523)
Endowment expenditures	-	(45,136)	-	(45,136)
Transfers	-	(5,000)	5,000	-
Endowment net assets at June 30, 2016	<u>\$ 900,970</u>	<u>\$ 102,977</u>	<u>\$ 715,677</u>	<u>\$ 1,719,624</u>

As a result of revised donor agreements, \$5,000 and \$18,399 of temporarily restricted funds were transferred to permanently restricted endowment funds during the years ended June 30, 2016 and 2015, respectively. Additionally, the \$102,977 and \$136,967 temporarily restricted balance at June 30, 2016 and 2015, respectively, represent investment gains related to permanently restricted endowments. The earnings on permanently restricted endowments are restricted for a specific purpose. At June 30, 2016 the unrestricted endowment balance of \$900,970 exceeded the total unrestricted net balance due to other accumulated unrestricted deficits.

NOTE N - CASH HELD FOR OTHERS (FISCAL AGENT)

The Foundation has entered into an agreement dated as of November 19, 2009 with the Bill and Melinda Gates Foundation and the Hillsborough County Public Schools to serve as a fiscal agent through June 30, 2016. This agreement is for the initiative called *Intensive Partnerships to Empower Effective Teachers* in which the Bill & Melinda Gates Foundation has awarded \$80.87 million as part of the Hillsborough County Public Schools' more than \$200 million initiative to improve teacher effectiveness and to better prepare students for post-secondary education.

In addition to serving as fiscal agent, the Foundation worked to engage and communicate with the community about the progress made through this opportunity. The Foundation fully supported the district in their efforts and initiatives that directly benefit our teachers and students. This work changed the face of education in Hillsborough County Public Schools, and ultimately around the nation.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE N - CASH HELD FOR OTHERS (FISCAL AGENT) - Continued

The Foundation is required to record the fair value of cash or other financial assets received on behalf of a specified unaffiliated beneficiary as a liability. Variance power was given to the Hillsborough County School District in relationship to this grant.

The total amount of the Bill and Melinda Gates Foundation award is \$80,870,000 for the period November 19, 2009 through June 30, 2016. The Foundation has received a total of approximately \$80.9 million and passed-through a total of approximately \$80.8 million through June 30, 2016. Accordingly, the Foundation has \$34,880 and \$3,911,182 of cash and a corresponding liability to the Hillsborough County School District of \$34,880 and \$3,911,182 at June 30, 2016 and 2015, respectively. This cash is maintained in a financial institution as outlined by the Bill and Melinda Gates Foundation. The Bill and Melinda Gates grant is not used for the Foundation's operations and is directed by the Hillsborough County School District for their use. The administrative fees earned by the Foundation were \$137,113 for each of the years ended June 30, 2016 and 2015. This agreement ended June 30, 2016.

NOTE O - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 20, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hillsborough Education Foundation, Inc.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended June 30, 2016

<u>State Grantor/Project Title</u>	<u>CSFA Number</u>	<u>Contract Number</u>	<u>State Expenditures</u>
Florida Department of Education			
Pass-through Consortium of Florida Education Foundations School District Matching Grants	48.061	N/A	\$ 299,182
Pass-through Take Stock In Children Mentoring/Student Assistance Initiatives	48.068	N/A	<u>232,210</u>
Total Florida Department of Education			<u>531,392</u>
Florida Department of Highway Safety and Motor Vehicles			
Florida Educational Licenses Plate Project	76.023	N/A	<u>33,301</u>
Total Florida Department of Highway Safety and Motor Vehicles			<u>33,301</u>
Total expenditures of state financial assistance			<u><u>\$ 564,693</u></u>

The accompanying notes are an integral part of this schedule.

Hillsborough Education Foundation, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

June 30, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of Hillsborough Education Foundation, Inc. (the "Foundation") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

NOTE B - CONTINGENCIES

These State projects are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Foundation's continued participation in specific projects. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Foundation expects such amounts, if any to be immaterial.

NOTE C - SUBRECIPIENTS

The Foundation did not provide State awards to subrecipients.

INDEPENDENT AUDITORS' 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*

HILLSBOROUGH EDUCATION FOUNDATION, INC.

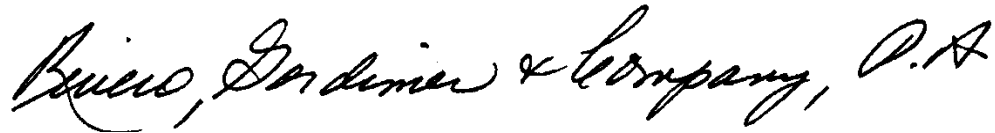
June 30, 2016

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Buco, Gardner & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
October 20, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR STATE PROJECT AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED
BY CHAPTER 10.650, *RULES OF THE FLORIDA AUDITOR GENERAL*

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2016

Opinion on Each Major State Project

In our opinion, Hillsborough Education Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended June 30, 2016.

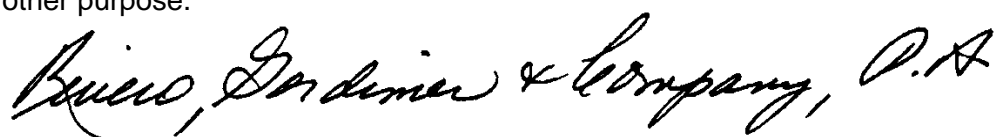
Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Tampa, Florida
October 20, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
HILLSBOROUGH EDUCATION FOUNDATION, INC.
June 30, 2016

Hillsborough Education Foundation, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting	
Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Internal control over major programs	
Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>
Identification of major programs:	
<u>CSFA Number(s)</u>	<u>Name of Program</u>
48.061	School District Matching Grants
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 169,408</u>

Section II - Financial Statement Findings

No matters were required to be reported for the year ended June 30, 2016. Accordingly, a corrective action plan is not required.

Section III - Federal Award Findings and Questioned Costs

No matters were required to be reported for the year ended June 30, 2016. Accordingly, a corrective action plan is not required.

Section IV - Other Issues

a. Prior Year Findings

No summary schedule of prior audit findings is presented because there were no prior findings related to State projects.

b. Management Letter

No findings or observations were required to be reported in a management letter pursuant to Section 10.654(1)(e), *Rules of the Auditor General*.

MANAGEMENT LETTER
HILLSBOROUGH EDUCATION FOUNDATION, INC.
June 30, 2016

