

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

HILLSBOROUGH EDUCATION FOUNDATION, INC.

June 30, 2017 and 2016

TABLE OF CONTENTS

Independent Auditors' Report	3 - 4
Financial Statements	
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6 - 7
Statements of Cash Flows	8
Statements of Functional Expenses	9 - 10
Notes to Financial Statements	11 - 22
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 <i>Government Auditing Standards</i>	23 - 25



**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, 2017 and 2016, 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

Herman V. Lazzara
Marc D. Sasser
Sam A. Lazzara
Kevin R. Bass
Jonathan E. Stein
Richard B. Gordimer, of Counsel
Cesar J. Rivero, in Memoriam (1942-2017)

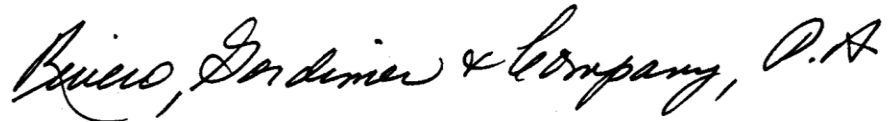
Stephen G. Douglas
Michael E. Helton
Christopher F. Terrigino
James K. O'Connor

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, 2017 and 2016, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, 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.

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

Tampa, Florida
October 25, 2017

Hillsborough Education Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash (note I)	\$ 723,820	\$ 141,005
Cash held for others (note L)	-	34,812
Accounts receivable, net (note A3)	56,544	60,586
Pledges receivable, net (note D)	30,815	164,366
Investments (notes B and C)	<u>652,944</u>	<u>1,024,713</u>
Total current assets	1,464,123	1,425,482
PREPAID SCHOLARSHIPS (note E)	3,409,742	3,731,890
FURNITURE, EQUIPMENT AND IMPROVEMENTS, net (notes A5 and F)	209,652	272,899
PLEDGES RECEIVABLE, net (note D)	-	21,631
INVESTMENTS (notes B and C)	3,073,524	2,988,428
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (note G)	58,159	51,641
DEPOSITS	<u>2,793</u>	<u>2,991</u>
TOTAL ASSETS	<u>\$ 8,217,993</u>	<u>\$ 8,494,962</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit (note I)	\$ -	\$ -
Accounts payable	32,955	17,810
Accrued expenses	691,710	957,579
Deferred revenue	46,000	112,000
Other liability (note L)	<u>-</u>	<u>34,812</u>
Total current liabilities	<u>770,665</u>	<u>1,122,201</u>
NET ASSETS (note A2)		
Unrestricted	1,292,757	442,423
Temporarily restricted (notes J and K)	5,388,894	6,214,661
Permanently restricted (note K)	<u>765,677</u>	<u>715,677</u>
	<u>7,447,328</u>	<u>7,372,761</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,217,993</u>	<u>\$ 8,494,962</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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Community support and revenue				
Public support				
Received directly				
Contributions	\$ 423,192	\$ 1,564,077	\$ 15,000	\$ 2,002,269
State grants	131,283	424,392	-	555,675
Local grants	-	41,700	-	41,700
Fundraising events (note M)	99,703	126,398	-	226,101
Donated goods and services				
School Board	-	9,041	-	9,041
Other (note A9)	55,276	2,665,531	-	2,720,807
Total community support	<u>709,454</u>	<u>4,831,139</u>	<u>15,000</u>	<u>5,555,593</u>
Other revenue				
Unrealized scholarship depreciation (note E)	-	(272,852)	-	(272,852)
Investment income (note A4)	158,266	248,314	-	406,580
Other revenue	-	2,082	-	2,082
Total other revenue	<u>158,266</u>	<u>(22,456)</u>	<u>-</u>	<u>135,810</u>
Net assets released from restrictions	<u>5,599,450</u>	<u>(5,634,450)</u>	<u>35,000</u>	<u>-</u>
Total community support and revenue, other revenue and net assets released from restrictions	<u>6,467,170</u>	<u>(825,767)</u>	<u>50,000</u>	<u>5,691,403</u>
Expenses				
Program services				
Career and Technical Education	247,501	-	-	247,501
Teacher Support and Recognition	318,085	-	-	318,085
Scholarships and Mentoring	1,149,946	-	-	1,149,946
School and Classroom Enrichment Programs	568,639	-	-	568,639
Teaching Tools for Hillsborough Schools	2,825,824	-	-	2,825,824
Total program services	<u>5,109,995</u>	<u>-</u>	<u>-</u>	<u>5,109,995</u>
Supporting services				
Management and general	276,991	-	-	276,991
Fundraising	229,850	-	-	229,850
Total supporting services	<u>506,841</u>	<u>-</u>	<u>-</u>	<u>506,841</u>
Total expenses	<u>5,616,836</u>	<u>-</u>	<u>-</u>	<u>5,616,836</u>
Change in net assets	850,334	(825,767)	50,000	74,567
Net assets at beginning of year	<u>442,423</u>	<u>6,214,661</u>	<u>715,677</u>	<u>7,372,761</u>
Net assets at end of year	<u>\$ 1,292,757</u>	<u>\$ 5,388,894</u>	<u>\$ 765,677</u>	<u>\$ 7,447,328</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, 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
Fundraising events (note M)	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 L)	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.

STATEMENTS OF CASH FLOWS

For the year ended June 30,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 74,567	\$ (519,046)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	78,858	78,204
Decrease in accounts receivable	4,042	60,961
Decrease in pledges receivable	155,182	176,027
Net unrealized (gain) loss on investments	(315,984)	158,115
Change in scholarship value	272,852	(47,407)
Net utilization of prepaid scholarships	292,856	337,877
Increase in beneficial interest in assets held by others and deposits	(6,320)	(818)
(Decrease) increase in accounts payable, accrued expenses and deferred revenue	(316,723)	6,829
Total adjustments	<u>164,763</u>	<u>769,788</u>
Net cash provided by operating activities	<u>239,330</u>	<u>250,742</u>
Cash flows from investing activities		
Prepaid scholarship additions	(243,561)	(256,209)
Fixed asset purchases	(15,611)	(34,979)
Purchase of investments	(84,035)	(129,053)
Proceeds from sale of investments	<u>686,692</u>	<u>50,000</u>
Net cash provided (used) by investing activities	<u>343,485</u>	<u>(370,241)</u>
Net increase (decrease) in cash	582,815	(119,499)
Cash at beginning of year	<u>141,005</u>	<u>260,504</u>
Cash at end of year	<u>\$ 723,820</u>	<u>\$ 141,005</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, 2017

	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	\$ 68,853	\$ 116,762	\$ 483,949	\$ 125,027	\$ 84,599	\$ 879,190	\$ 122,815	\$ 180,879	\$ 1,182,884
Banquets, facilities and services	10,168	69,354	19,766	47,191	935	147,414	2,256	1,656	151,326
Grant and awards	74,089	16,779	30,041	303,190	-	424,099	1,802	192	426,093
Grant supplies and service	5,788	15,462	990	2,539	1,404	26,183	291	-	26,474
Tuition and scholarships	9,000	1,725	486,343	990	-	498,058	-	-	498,058
Accounting services	1,385	1,851	9,808	2,640	5,300	20,984	6,309	4,276	31,569
Contractual services	63,641	4,329	37,007	20,085	5,338	130,400	26,817	8,818	166,035
Office supplies and printing	87	8,170	1,382	11,367	4,983	25,989	4,673	297	30,959
Software and computer support	5,649	1,535	16,381	3,683	4,394	31,642	5,663	3,546	40,851
Equipment and service lease	336	459	2,395	639	6,323	10,152	2,047	1,047	13,246
Insurance	1,208	1,645	8,766	2,135	23,563	37,317	5,359	3,722	46,398
Conferences and training	281	504	1,985	2,703	1,373	6,846	1,677	3,514	12,037
Service charges	-	1,908	-	193	660	2,761	2,927	1,908	7,596
Equipment maintenance and repairs	-	-	-	-	4,862	4,862	37	-	4,899
In-kind (note A10)	251	59,699	6,733	4,860	2,592,238	2,663,781	38,680	3,105	2,705,566
Depreciation	2,099	2,860	14,938	3,979	39,427	63,303	9,023	6,532	78,858
Miscellaneous	15	1,004	1,615	-	9,321	11,955	2,946	1,149	16,050
Bad debt expense	-	-	-	3,600	-	3,600	21,098	-	24,698
Dues and subscriptions	-	71	-	-	500	571	5,799	543	6,913
Meetings	230	630	9,069	19,776	4,260	33,965	3,399	1,266	38,630
Advertisement	2,754	11,078	6,947	10,912	4,688	36,379	6,193	2,253	44,825
Occupancy	1,667	2,260	11,831	3,130	31,656	50,544	7,180	5,147	62,871
Total expenses	\$ 247,501	\$ 318,085	\$ 1,149,946	\$ 568,639	\$ 2,825,824	\$ 5,109,995	\$ 276,991	\$ 229,850	\$ 5,616,836

The accompanying notes are an integral part of this statement.

Hillsborough Education Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

	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	\$ 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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 K).

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. During the year ended June 30, 2017 management reviewed net asset classifications resulting in the reclassification of \$482,892 temporarily restricted net assets to unrestricted net assets due to obligations met and expiring restrictions, which is included in the net assets released from restrictions on the statement of activities and changes in net assets.

3. Accounts Receivable

The Foundation receives support from various state and local grants. Accounts receivable include an allowance for doubtful accounts of approximately \$-0- for the years ended June 30, 2017 and 2016. 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, 2017 and 2016

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 and repairs which significantly extend the life of the asset 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, 2014 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, 2017 and 2016

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 \$2,721,000 and \$3,475,600 during the years ended June 30, 2017 and 2016, respectively.

Approximately \$2,592,000 and \$3,357,000 of the contributed goods and services for the years ended June 30, 2017 and 2016, 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 telephone services to the Foundation of approximately \$9,000 during both 2017 and 2016.

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 primary activities comprise of:

Teaching Tools for Hillsborough Schools provides critical school supplies year-round for economically disadvantaged students. The program allows teachers from Title 1 schools the opportunity to shop for free school supplies and distribute to their students in need. Teaching Tools serves 140 Title 1 schools and reaches approximately 68,000 at-risk students annually. Each year, local partners, provide over 6,000 hours of volunteer services to the store.

The Foundation is a provider of statewide Take Stock in Children Program. Through this program over 350 students at poverty level or below along with other risk factors are provided a mentor and the commitment of a college scholarship. Additional scholarships are provided through our community scholarship program, funded by individual and community organizations.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

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

Through School Enrichment Grants the Foundation provides funding for schools and teachers to advance learnings through creative and innovative ways. Over 66 projects are funded for school and classroom enrichment programs.

Hillsborough Education Foundation believes in the need to support teachers through development opportunities and recognition. Research shows investing in teachers results in better student outcomes. We provide the annual teacher of the year recognition event for all Hillsborough County Public School Teachers as well as provide financial assistance to teachers advancing their education or obtaining board teacher certifications.

The foundation puts resources and programming around helping students prepare for the workforce. Resources range from internship programs to student financial assistance for trade tools or participation in activities that expand their knowledge of possible career paths.

11. Reclassifications

Certain amounts previously reported in the financial statements for the prior year have been reclassified in order for them to be in conformity with the current year presentation.

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),
- 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

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - FAIR VALUE MEASUREMENTS - Continued

- 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 liabilities.

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

<u>2017</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	\$ 272,756	\$ 272,756	\$ -	\$ -
Short-term bond funds	691,522	691,522	-	-
Intermediate-term bond funds	637,148	637,148	-	-
Large blend mutual funds	1,084,893	1,084,893	-	-
Mid-cap mutual funds	145,089	145,089	-	-
International mutual funds	661,008	661,008	-	-
Moderate Allocation Mutual Funds	74,528	74,528		
Small growth mutual funds	159,524	159,524	-	-
	<u>\$3,726,468</u>	<u>\$ 3,726,468</u>	<u>\$ -</u>	<u>\$ -</u>
Total				
<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	-	-
	<u>\$4,013,141</u>	<u>\$ 4,013,141</u>	<u>\$ -</u>	<u>\$ -</u>
Total				

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

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>2017</u>	<u>2016</u>
Endowments/donor advised funds	<u>\$ 3,073,524</u>	<u>\$ 2,988,428</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>2017</u>	<u>2016</u>
Total pledges	\$ 30,815	\$ 204,766
Less allowance for uncollectible pledges	-	(15,400)
Less unamortized discount for present value	-	(3,369)
Pledges receivable, net	<u>\$ 30,815</u>	<u>\$ 185,997</u>

Pledges receivable expected to be collected after June 30, 2017:

<u>Year ending June 30,</u>		
2018		\$ 30,815
Less allowance for uncollectible pledges and unamortized discount		<u>-</u>
		<u>\$ 30,815</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE E - PREPAID SCHOLARSHIPS

The Foundation made purchases totaling \$243,561 and \$256,209 to the Florida Prepaid College Foundation, Inc. during the years ended June 30, 2017 and 2016, respectively, for the purpose of purchasing prepaid scholarships to be awarded in the future to qualified, economically disadvantaged students in Florida. In 2017 and 2016, the State of Florida matched dollar-for-dollar contributions used to purchase prepaid scholarships. The fair value of the prepaid scholarships held with the Florida Prepaid College Foundation, Inc. was \$3,296,742 and \$3,676,890 at June 30, 2017 and 2016, respectively. The prepaid scholarship fund was reduced by \$350,857 and \$337,877 due to the utilization of scholarship recipients for the years ended June 30, 2017 and 2016, respectively. Additionally, for the year ended June 30, 2017 the prepaid scholarships were reduced by \$275,545 related to the scholarship reinvestment opportunity. The prepaid scholarship appreciated \$2,693 and \$47,407 for the years ended June 30, 2017 and 2016, respectively, as a result of the increase in value of a college credit hour with the State of Florida. The Foundation also had \$113,000 and \$55,000 of prepaid scholarships with Hillsborough Community College at June 30, 2017 and 2016, respectively.

NOTE F - FURNITURE, EQUIPMENT AND IMPROVEMENTS

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

	<u>2017</u>	<u>2016</u>
Software and website	\$ 62,073	\$ 62,073
Furniture, fixtures and equipment	65,086	63,076
Leasehold improvements	<u>529,514</u>	<u>515,913</u>
	656,673	641,062
Less accumulated depreciation	<u>(447,021)</u>	<u>(368,163)</u>
	<u>\$ 209,652</u>	<u>\$ 272,899</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, 2017 and 2016

NOTE H - 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:

<u>Year ending June 30,:</u>	
2018	\$ 3,700
2019	3,700
2020	3,700
2021	3,700
2022	<u>1,200</u>
	<u>\$ 16,000</u>

The Foundation's rental expense was approximately \$13,200 and \$17,800 for the years ended June 30, 2017 and 2016, 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 I - LINE OF CREDIT

During the year ended June 30, 2017, the Foundation established a \$250,000 secured line of credit with a financial institution, bearing interest at prime minus .25%. Monthly payments are payable in an amount greater than \$250 or the aggregate sum of accrued interest, plus, 1/60th of the unpaid principal balance. The line of credit is secured by a \$250,022 deposit account with the same financial institution. The line was not drawn on at June 30, 2017.

NOTE J - 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. Temporarily restricted net assets consisted of the following balances at June 30,:

	<u>2017</u>	<u>2016</u>
Career and Technical Education	\$ 119,517	\$ 248,144
Scholarships and Mentoring	3,478,046	4,172,781
School and Classroom Enrichment Programs	215,391	275,607
Endowments/donor advised funds	1,288,517	1,218,430
Other Programs	<u>287,423</u>	<u>299,699</u>
	<u>\$ 5,388,894</u>	<u>\$ 6,214,661</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE K - 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
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.

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE K - ENDOWMENT NET ASSETS - Continued

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. The Foundation's board approved policy is to distribute four percent (4%) of the three year average market value of the endowment as of March 31, each year.

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.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	900,970	102,977	715,677	1,719,624
Contributions	-	6,005	15,000	21,005
Investment income	122,041	115,144	-	237,185
Endowment expenditures	-	(35,466)	-	(35,466)
Transfers	-	3,000	35,000	38,000
Endowment net assets at June 30, 2017	<u>\$ 1,023,011</u>	<u>\$ 191,660</u>	<u>\$ 765,677</u>	<u>\$ 1,980,348</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE K - ENDOWMENT NET ASSETS - Continued

As a result of donors changing their donor advised agreements to permanently restricted contributions, \$35,000 and \$5,000 of temporarily restricted funds were transferred to permanently restricted endowment funds during the years ended June 30, 2017 and 2016, respectively. The earnings on permanently restricted endowments are restricted for a specific purpose.

NOTE L - CASH HELD FOR OTHERS (FISCAL AGENT)

The Foundation 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.

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. Accordingly, the Foundation has \$0 and \$34,880 of cash and a corresponding liability to the Hillsborough County School District of \$0 and \$34,812 at June 30, 2017 and 2016, respectively. The administrative fees earned by the Foundation were \$137,113 for the year ended June 30, 2016. This agreement ended June 30, 2016.

NOTE M - FUNDRAISING EVENTS

The Foundation conducted a variety of fundraising events during the years ended June 30, 2017 and 2016 to benefit the Foundation. Net special events revenue consisted of the following at June 30,:

	<u>2017</u>	<u>2016</u>
Event revenue	\$ 354,063	\$ 429,048
Direct expenses	<u>127,962</u>	<u>180,414</u>
Net proceeds from special events	<u>\$ 226,101</u>	<u>\$ 248,634</u>

Hillsborough Education Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE N - RETIREMENT PLAN

The Foundation participates in a 403(b) retirement plan that covers all employees. The Foundation revised to include a matching contribution of 50% of the employee's contribution, up to a maximum of 2% and a 2% end of year contribution for employees employed on December 31st and to implement a vesting schedule for the new employees of 33% per year for three years. Previously, each full-time employee covered under the plan had a discretionary contribution of 10% of the employee's eligible wages contributed to the plan by the Foundation, starting after their first 12 consecutive month of employment, or if part-time, after 1,000 hours of employment. Pension expense was \$51,437 and \$107,734 for the years ended June 30, 2017 and 2016, respectively.

NOTE O - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 25, 2017, which is the date the financial statements were available to be issued.

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, 2017



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

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

Herman V. Lazzara Stephen G. Douglas
Marc D. Sasser Michael E. Helton
Sam A. Lazzara Christopher F. Terrigino
Kevin R. Bass James K. O'Connor
Jonathan E. Stein
Richard B. Gordimer, of Counsel
Cesar J. Rivero, in Memoriam (1942-2017)

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

The Board of Directors
Hillsborough 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 Hillsborough Education Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2017 and the related statement of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2017.

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.

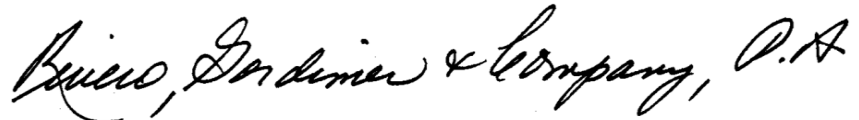
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 "Benicio, Jordanier & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
October 25, 2017